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FEDERAL-STATE FINANCIAL RELATIONS: *A Conscientious Governor Studies a Senate Document*

A CONCURRENT resolution, submitted by Senator Tydings and now pending before the Senate Committee on Finance,[1] is admirably calculated to produce corrugations in the brows of the governors of our forty-eight sovereign states. Under its terms each governor will find in his mail one fine morning this summer a cool request to transmit to the Congress at the earliest possible date his recommendations regarding adjustments in the entire range of financial relations between the federal government and the states.

It so happens that, as Senator Tydings prepares to submit to the governors his difficult and embarrassing questionnaire, his colleague, Senator George, springs to their assistance. By a Senate Resolution [2] he makes available to them in the form of a public document *A Report Submitted to the Secretary of the Treasury* that discusses this very subject of *Federal, State, and Local Government Fiscal Relations* [3] to the extent of 595

[1] 78th Congress, 1st Session, S. Con. Res. 26, November 9, 1943. More specifically each governor is asked to commit himself on the following topics: the proper fields of taxation as between the federal government and the state and local governments; the proper division of authority as between the federal government and the state governments with respect to the regulation of commerce; the proper percentages of contributions to be made by the federal government and by state and local governments toward the financing of post-war work, welfare and social programs; and, finally, the functions of government which should be exercised exclusively by the federal government, those which should be exercised exclusively by state and local governments, and those which may be combined or exercised jointly.

[2] *Ibid.*, S. Res. No. 160, June 23, 1943.

[3] 78th Congress, 1st Session, Senate Document No. 69. *Federal, State and Local Government Fiscal Relations: Letter from the Acting Secretary of the*

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pages of small type. To make a critical assessment of this report is the primary task of this article. In performing this task it is proposed to examine the document through the spectacles of a state governor who turns to it for enlightenment as he strives to comply with Senator Tydings' request and seeks to formulate for himself and for the Congress of the United States a realistic program for achieving fiscal peace and harmony in our federal family.

Picture, then, a conscientious governor, seated at his handsome desk, flanked by his official state flag and by the Stars and Stripes. The door opens to admit the most competent, presentable stenographer on his civil service list who lays before him the Tydings Resolution and a copy of the ponderous Senate Document Number 69. The corrugations in the gubernatorial brow are not slow to appear.

His first impulse is to ignore the communication. By what authority does the Congress "request" him to "transmit . . .

Treasury, Transmitting in Response to S. Res. 160, A Report Submitted to the Secretary of the Treasury by a Special Committee Designated to Conduct a Study on Intergovernmental Fiscal Relations in the United States. Washington, United States Government Printing Office, 1943. xxvi, 595 pp.

This document first appeared in a preliminary mimeographed edition of six volumes under the title of Intergovernmental Fiscal Relations, Submitted to the Secretary of the Treasury by the Committee on Intergovernmental Fiscal Relations, Treasury Department, Washington, D. C., January 1, 1943. Volume I, Major Conclusions and Recommendations, vii, 58 pp. Volume II, Report: Summary, iv, 114 pp. Volume III, Report: Part One, Development of the Coordination Problem, iv, 98 pp. Volume IV, Report: Part Two, Over-all Problems in Intergovernmental Fiscal Relations, Section 1, Coordination Devices and Institutions, iv, 93 pp., Problems of Interstate Relations, iv, 89 pp. Volume V, Part Two, Section 2, Problems of Federal-State-Local Relations, iv, 74 pp., Fiscal Policy, iii, 36 pp., Miscellaneous Problems, ii, 39 pp. Volume VI, Report: Part Three, Specific Taxes and Expenditures, vi, 173 pp., iii, 34 pp.

A comparison of the preliminary with the final editions shows that Volume II of the preliminary edition, which was repetitious and confusing, has been eliminated, and that numerous minor changes of an editorial character and a few substantial insertions and deletions have been made (e. g., pp. 7, 11, 25, 26, 32). The most interesting change is the elimination of a paragraph (preliminary report, Vol. I, p. 8) which argued against the utilization of the Council of State Governments as an appropriate agency to represent the states on the ground that "the Council is unofficial in status, is supported in considerable part by philanthropic funds, and has only nominal recognition and influence in a considerable number of states." These statements regarding the Council seem to be accurate and the writer is not acquainted with the reasons which prompted this elision.

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his recommendations"? If the legislature of his state were to send such a letter to the President, would a reply be forthcoming from the White House? If the President did reply, what significance would attach to his recommendations? In what sense does Senator Tydings think that a governor can speak for his state on a subject of this sort? What useful purpose would be served by a reply?

The governor considers his position. As chief magistrate of his state, in this Year of Grace, 1944, he is not, he realizes, the powerless ornament Lord Bryce pictured the typical American state governor to be when he wrote his *American Commonwealth* more than a half century ago. Thanks to the short ballot and the executive budget, his formal powers in his own household have grown to impressive proportions. Moreover, he holds a commanding position in the councils of his political party and, by virtue of his record, he stands high in public esteem. When he chooses to make a special appeal for support he can usually count on a satisfactory reaction from the people of his state. Power and influence are his; but are they his in sufficient measure to give his answer to Senator Tydings any particular significance?

For this Tydings Resolution calls for a definite prescription, for a program which presumably can be accepted as representing the wishes of his state. It appears to assume that there exists an awareness of the implications for his state of a long series of highly technical proposals. It suggests that the people of the state know fairly precisely what they want in this field of federal-state financial relations and that the governor is in a position to speak for them—perhaps even to commit them to a series of specific measures, such as giving up this type of taxation and taking complete control of another, accepting responsibility for this governmental function and resigning responsibility for that, and fixing some specific percentage of federal aid for relief as "proper" in view of the needs and resources of his state. Senator Tydings must realize, however, that no such assumptions can be made. The plain fact is that no state has such a program and no governor can construct one by merely writing a letter to the Congress of the United States.

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A governor can complain, scold and warn, he can propose and attempt to persuade; but he has no authority to negotiate, he can make no binding agreement, he can sign no promissory note, he can make no commitment on behalf of his state to any future course of action whatsoever.

The governor reads the resolution once more. Perhaps Senator Tydings merely wishes the various governors to give their personal views for what they may be worth. But his own personal views, he ruefully admits to himself, would, in their present state, scarcely be worth the time of his stenographer to transcribe them. It is true that he has referred to various aspects of this subject in some of his public addresses. Moved by certain irritating episodes and disturbing developments during his administration, he has given tongue to several vehement protests against "federal interference" with the "sovereign rights of the states." Moreover, in preparing his annual executive budget proposals he has several times been made acutely conscious of limitations upon his freedom to recommend changes in his state revenue system, limitations traceable not only to federal encroachment but also to the competitive tax practices and the lack of coöperation of the other states. However, before placing himself on record in any comprehensive fashion with respect to his personal views as to the "proper fields of taxation" and "proper percentages of contribution" as between the state and the federal governments, his conscience demands that he give the whole problem serious study. Whereupon, having nothing pressing to occupy his attention for two or three weeks, he harkens to his conscience, dismisses his stenographer, lights his pipe and addresses himself to Senate Document Number 69.

Like the critic in Shaw's "Fanny's First Play", our governor considers it appropriate and helpful in appraising a literary work to be told in advance the name of the author. Here is an elaborate public document dealing with a general issue which, a century and a half ago, was responsible in considerable measure for the abandonment of the Articles of Confederation and the adoption of the Constitution of the United States, an issue which today carries a lethal threat to the continued functioning

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of the federal form of government in Canada, in Australia and practically everywhere that form is found. Who accepts responsibility for this document? Whose views are here set forth?

From the title page the governor learns that this is "a report submitted to the Secretary of the Treasury by a special committee". Turning to the "letter of submittal" he finds a statement that the report "must not be taken in any way as presenting the views of the [Treasury] Department"; rather it "represents the findings and recommendations of the committee." Presumably the Secretary appointed the committee and assumes responsibility for its composition; but no definite statement is made to this effect. Incidentally, the governor notes with interest that part of the financial support for the enterprise was made available by a private philanthropic foundation.[4] Surely this problem of federal-state financial relations is one whose nature and importance qualify it for submission to an official governmental commission of the very highest type, and he recalls several abortive attempts by Congress to set up such a commission, but he also recalls the questions raised at the time as to whether a commission constituted by the federal government could hope to command the confidence of the states and, if not, whether any method exists for securing federal-state responsibility for setting up a body to study federal-state relations. In any case the fact that the present report, although a public document, issues, not from an official commission, but from an informal committee with ambiguous parentage and philanthropic alimentation, is highly significant. It testifies eloquently both to the structural deficiency in our constitutional mechanism for securing joint action by the states and federal government and to the low estate to which the formal, official, investigative commission has fallen in this

[4] The letter of submittal (p. v) states that the committee had "at its disposal the aid of the Institute of Public Administration," made possible by a grant to the Institute by the Carnegie Corporation to carry through "such parts of the work as could not appropriately be financed from Federal funds." However, apparently no members of the staff of the Institute served on the staff of the committee, but the director of the Institute, Dr. Luther Gulick, was one of the three members of the committee.

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country. How strange must our ways appear to our friends in England, Canada and Australia!

Since, then, it is the committee, not the Senate and not the Treasury, which speaks in this document, the governor turns for enlightenment to the list of personnel. The committee, he finds, consists of Harold M. Groves, Luther Gulick and Mabel Newcomer. They are supported by a staff of four "special advisors", five "full-time staff" members, eight "contributing staff" members, four "consulting staff" members and two "administrative assistants", truly an impressive array. His tax commissioner, when he calls him by telephone, assures him that all three members of the committee are honorable and distinguished doctors and professors whose names inspire confidence because of their records for scholarly competence and objectivity. The commissioner adds that he has been told that the report is primarily the work of Groves; that Gulick, once the organization was set up, was so heavily engaged in war duties that he was able to devote only a very minor portion of his time to the committee; that Miss Newcomer was occupied primarily with the preparation of memoranda on certain special topics and participated so slightly in the formulation of the position taken in the report on the various issues that she signed as a member of the committee only with reluctance and misgiving; that Clarence Heer, whose penetrating and clear-headed analyses prepared for the Council of State Governments a decade ago have contributed so substantially to the literature of the subject, found it impracticable, because of other duties, to accept an invitation to serve as a member of the committee and was content with the rôle of "special advisor". On the basis of this information the governor concludes that he may safely assume that, though the hand is the hand of the committee, the voice is the voice of Groves; that the value judgments there expressed are primarily his judgments but that nothing is said that his colleagues, Gulick and Miss Newcomer, find seriously objectionable. Groves, he learns, is a liberal and progressive economist, a professor at the University of Wisconsin and the author of a widely used elementary treatise on public finance. A latter-day exponent of the "Wisconsin

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Idea", he has participated actively in Wisconsin politics, serving in both the lower and upper chambers of the State Legislature, and, following in the footsteps of T. S. Adams, he has also served as a member of the State Tax Commission. The voice of a man with such a background should indeed be worth listening to as he discusses federal-state financial relations.

The governor resumes his perusal of the document. Before immersing himself in the flood of print, he seeks to orient himself by asking what the report purports to do. He can find no "terms of reference" and infers that the committee was free to do whatever it chose. The range of choice was wide. It might, for example, have chosen to restrict itself to analysis; the aim could have been merely to supply the public with information regarding the character and seriousness of the problem in hand and as to the probable consequences, in the light of theory and of the history of other federations as well as our own, of various alternative courses of action; in which case it could have avoided passing judgment as to the desirability of adopting any particular course of action. But a glance at the first section of "Major Conclusions and Recommendations" reveals that the committee was not content with any such modest rôle. It chose a more ambitious course. It decided not merely to inform the public but also to tell them what to do. However, so soon as one begins to tell people what they ought to do, his recommendations and prescriptions involve inferences regarding what the people want, or ought to want, in the way of general objectives, and the validity of his recommendation is conditioned by the accuracy of those inferences. Unfortunately this report, while it frequently recommends specific action, seldom discusses or appraises objectives.

Although the committee chooses the ambitious course of recommending a program, it follows this course with a strange combination of timidity and boldness. The governor jots down the various recommendations. In general, the state revenue systems should not be "federalized" at present or in the near future; fiscal machinery should be gradually adapted to the necessities of time and place, a "pragmatic approach" as contrasted with "a comprehensive single plan for immediate

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adoption"; and "coordination and cooperation rather than subordination and coercion" is asserted to be the answer to the problem. Specifically, a "federal-state fiscal authority" should be set up (with vague sources of power and heterogeneous functions). The states should not be asked to surrender their personal income taxes but should surrender their present exclusive control of jurisdiction (apportionment of the income base among the states) and, "as soon as revenue conditions permit," should permit the deduction of federal income taxes from the base before applying the state rates (a highly doubtful recommendation). Income should be harmoniously apportioned among the states for taxation, even at the cost of compulsory federal arbitration and the development of federal incentives to comply (apparently not considered to be coercion). Death duties and gift taxes should be overhauled and integrated, the credit for state taxes should be extended, the tasks of determining the taxes due to the states and of securing harmony in apportionment among the states should be taken over by the federal government even at the cost of compulsory federal arbitration, gratuitous federal services in administering the tax and withheld credits (apparently not considered coercion). Tobacco taxes should be taken over by the federal government for administration, a portion of the yield being sent back to such states as agree to withdraw from the field (apparently not considered coercion). The federal government should abandon its liquor licenses in the interests of simplicity and should give up all taxes on motor fuel, except aviation gasoline. If the federal government should decide to adopt a retail sales tax, joint administration would be appropriate.

In the field of business taxation "a good case could be made" for exclusive federal administration with a distribution of a portion of the yield to the states, contingent upon state withdrawal (apparently not considered coercion), but, since the public mind is not prepared for such action and a needed "quantitative appraisal" is not available, this course is not definitely recommended. Instead the committee suggests better integration of personal and corporate taxation, no attempt to

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tax unincorporated business (Groans from the Model Tax Committee!), research and education, and the federal incorporation of concerns engaging in interstate commerce. Stock transfer taxes, the committee is "inclined to recommend" as an exclusive federal tax but it contents itself with suggesting "forbearance" particularly by New York (at a cost to the state budget of $10 to $40 million annually). Concerning payroll taxes, it suspends judgment as to the proper collecting agency and makes no recommendation for changes in the crediting device. The federal government should pursue a more liberal policy in permitting state and local taxation of defense contracts. The federal exemption of interest on state and local securities should be discontinued and, "if a compromise is necessary," a direct subsidy should be given to local borrowing units. With respect to the expansion of central functions the committee believes that the federal government "almost certainly should provide a larger portion of the cost of education" and "should probably extend its outlays for relief," while "greater federal outlays for public health seem to be overdue." In form, federal aids for education and welfare should be of the "differential" type, designed with an eye to equalization. A "tangible" improvement in the quality and usefulness of the educational offering should be insisted upon, but the committee hopefully suggests that persuasion may "in most cases . . . prove more effective" than coercion. On the great issue of "fiscal policy", the report announces that the "government will and should underwrite the maintenance of a high level of economic opportunity and full use of resources and plant capacity in the United States." But it should do this "by public investments . . . highly creative in the economic sense . . . each item of outlay contemplating a closed circle of outgo and intake." "Vested interests" opposed to such a policy "must be either dissuaded or pushed aside" (apparently not considered coercion). This type of fiscal policy would not make it necessary "to centralize the tax system" (with no discussion of the implications for the tax system of the more extreme types of fiscal policy). Other recommendations relate to such matters as the extension of the merit system, improved reports (by

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means of federal subsidies) and the elimination of inequalities in the application of federal taxes stemming from the state community-property laws.

While many of the recommendations appeal to the governor as being obviously desirable, some of them seem questionable and a few definitely objectionable. The repeated emphasis upon the smooth phrase "coordination and cooperation rather than subordination and coercion" impresses him as rather disingenuous in view of the nature of the specific recommendations, suggesting a boy, who, seeking to harness a colt, approaches it with soft words on his lips and a bridle hidden behind his back. He senses a feeling of uncertainty on the part of the committee regarding the seriousness of the problem with which it is dealing, uncertainty as to whether the gains in prospect are of an order of magnitude that justifies strong curative measures. Time after time he feels that the committee veers timidly away from a remedy which involves structural change or constitutional amendment. Somewhat suspicious, but eager to examine the detailed analyses underlying the program of action, he plunges into the body of the report.

Days pass, days during which the governor slogs doggedly through the 500 odd pages of the detailed sections of Senate Document Number 69. He finds that the first of the three main parts describes the development of the coördination problem (73 pages), indicating its origins, depicting the extent of overlapping taxation and the growth of social and economic integration, tracing the upsurge of criticism of federal-state relations particularly since World War I, and sketching briefly the experiences of other federations, chiefly Canada and Australia. This broad and competent treatment provides a useful background. The second and most bulky part (292 pages) is entitled "Over-All Problems in Intergovernmental Fiscal Relations" and discusses a wide variety of topics under the general headings of "Coordination Devices and Institutions", "Problems of Interstate Relations", "Problems of Federal-State-Local Relations" and "Fiscal Policy". The third and last part (156 pages) takes up "Specific Taxes and Expenditures".

Under these captions the authors have assembled what is undoubtedly the most comprehensive collection of materials yet

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available bearing upon this widely ramified problem of federal-state relations. The mere physical task of dealing with the mass of data available, of organizing it and editing it must have been a very heavy one. However, as the governor reaches the end of the report he confessses to a distinct feeling of disappointment. It is merely that, in spite of the voluminous character of the report, there still exist serious gaps where data, essential to a satisfactory analysis of the issues, are insufficient or entirely unavailable.[5] The fault lies also in the character of the treatment. In its final form the body of the report is, he finds, essentially a mechanical mixture of miscellaneous memoranda. These memoranda, prepared by many different persons, are of widely varying quality. In the hands of some one with a touch of genius such a heterogeneous mass of data might possibly have been transformed into the great financial document of this generation. This it certainly is not.

Among the best of the sections are the study of the geographical distribution of wealth and income, based on a monograph by Miss Newcomer,[6] and the study of a crediting device feature of the federal estate tax, based largely on Treasury memoranda.[7] The section dealing with the development of the coördination problem,[8] while admirably clear and competent in its treatment, seems to offer slight grounds indeed for this statement which appears at the end: "It is concluded from the introductory survey that coordination and cooperation rather than subordination and coercion is the answer to intergovernmental fiscal problems." The reader is inclined to wonder whether this is advanced as a scientific deduction or as a mere

[5] For example, a projected original study of the costs of tax compliance had to be abandoned because of war conditions. Although, in the case of death duties, the comparative efficiency of state and federal administration is a point of vital importance, the report dismisses federal administration with this brief statement: "Relatively less is known about Federal than about State death-tax administration. The Federal Government has a smaller problem by virtue of high exemptions prevailing in the Federal Act. In general, it is known, however, that the administration is centralized and in the hands of competent personnel" (p. 475).

[6] Pp. 185 *et seq.*

[7] Pp. 478 *et seq.*

[8] Pp. 47 *et seq.*

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tactical suggestion, for, in view of our own experiences as well as those of foreign federations, the couplets might, with at least equal foundation, have been reversed. The governor examines with particular interest the detailed data presented in support of the suggestion that the states should permit the deduction of federal income taxes from their own personal income tax bases;[9] he is not favorably impressed. If, as the committee insists, it is desirable to retain progressive state taxation of income, this suggestion seems to him not to make sense. In the case of his own state, with its present rate scale or with any rate scale he would be likely to be able to secure, the deduction would transform the tax into a highly regressive one; no protection would be afforded against confiscatory rates because everyone would recognize the unreal character of the resulting base; and many of the arguments urged in favor of the step are equally valid for the deduction of the federal tax from its own base, which practice was abandoned for good and sufficient reasons during the first World War. The most important recommendation in the report, that urging the establishment of a federal-state fiscal authority,[10] seems to him, after examination of the full discussion, to hold little promise. The "authority", at the start at least, is to be primarily advisory in character, more an investigative commission than an administrative body, and it, in turn, is to be served by an "advisory council". If composed, as recommended, of three full-time "experts", the authority would scarcely be competent to advise on the broad issues of political and structural character which call for attention. The proposed method of appointment, one appointment by the President, a second by the states and the third by the first two, raises the old question of how the states may act so as to secure a satisfactory result. The suggestion here is that the selection of the state's representative "might be made through a conference of delegates named by the Governors." The governor has difficulty as he attempts to visualize the results that might be expected from following this procedure. If he should ask his tax commissioner to serve as a "dele-

[9] Pp. 437 *et seq.*

[10] Pp. 149 *et seq.*

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gate" to assist in the selection of a member of the proposed authority, how much confidence would this body inspire in the hearts of the members of his legislature or of his own successor?

It is an occasion for regret that no one connected with this project accepted responsibility for seeing to it that the report maintained good standards of literary form and of scholarly precision.[11] Judged by the chilly canons of perfection set in the best British documents, this report is indeed sadly deficient. All except the most determined readers will be repelled and the fastidious will cringe on almost every page.

The governor lays aside Senate Document Number 69, picks up Senator Tydings' concurrent resolution and rings for his stenographer. Struggling with this problem of federal-state relations seems rather like wrestling with a feather bed, an exhausting and futile exercise. To his mind there recurs an observation of the late Cass Gilbert, made toward the end of a long and tedious conference with a group of city planners who had been discussing the difficulties involved in redesigning the City of New York. "Nothing much will really be accomplished on this job," concluded the veteran architect, "until the people of New York get into a frame of mind to drive Park Avenue through Grand Central Terminal." In an eagerness to prevent a misuse of political power, have we so completely encompassed ourselves with negative devices, embedded in our state and federal constitutions, that we are impotent to deal with a problem such as this? Can we make substantial prog-

[11] The writer noted the following specific illustrations: imperfect or incomplete documentation, pp. 160, 161, 175, 249, 272, 387, 500, 515; typographical errors, pp. 105, 107, 111, 174, 272, 279, 319, 387, 400; repetitions, pp. 514, 516-518; inconsistencies, pp. 399-400, 565-570; p. 540, footnote 83, "Security" should read "Science". The adverb "quite" is used excessively and often incorrectly; e. g., "quite prominent", p. 408, "quite a low level" and "quite small", p. 419, "quite unique", p. 538, etc., etc. On the same page, 503, the report states that the tobacco taxes are "quite regressive" and "probably quite regressive". Some twenty specific instances were noted of equivocal, careless, unclear or highly questionable statements. Thus the members of the Supreme Court will doubtless be surprised at the implication that the Court rejected the rôle of arbiter in double taxation on the ground that it was "not wise enough to perform [it] successfully" (p. 252), and the members of the National Tax Association will disagree with the statement that their "Model Plans" "can hardly be said to have made any achievements in the direction of uniformity" (p. 128).

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ress toward a continuing satisfactory adjustment without creating positive devices whereby the desires of the people by states can be reconciled with a tolerable degree of smoothness with the desires of the people of the country as a whole? Suppose Thomas Jefferson had to reply to this letter to Senator Tydings —Jefferson, the lover of liberty and of the Articles of Confederation, but also the realist who, facing the facts as they developed, favored the adoption of the present Constitution and lived to "drive through" the Constitution (as he himself interpreted it) with his Louisiana Purchase. Would he today advocate an even "more perfect union"?

The stenographer's pencil is poised.

> Dear Senator Tydings, [dictates the governor.] You understand, of course, that I can speak only for myself in reply to the questions raised in your resolution. I can, perhaps, best define my personal position regarding an immediate short-term program by saying that I am prepared to pledge myself to exert such influence as I have in favor of interstate coöperation and a revision of federal-state financial relations along the general lines recommended in Senate Document Number 69.
>
> I doubt, however, whether substantial progress toward a satisfactory adjustment of these relations can be made with a timorous and piecemeal approach. If the consequences of continuing the present anarchistic policy of "stolid unconcern" are rapidly becoming intolerable (and it seems to me they are), the people should be authoritatively informed regarding the situation by means of an appraisal issuing from the most eminent and trustworthy advisory body it is possible to set up in these United States. If, as seems probable to me, it is difficult if not impossible to accomplish even some of the most obvious and simple reforms in this field without changes in our federal and state constitutions and in the form of our governmental structure, we are facing a problem which calls for a frontal attack with all the forces at our disposal. The alternatives that are available and the course of action that is most desirable should be outlined for us by the greatest architects we possess in the field of political institutions.
>
> I suggest, therefore, that a small federal commission be immediately established; that it be composed of the modern counter-

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parts of Washington, Franklin, Jefferson, Hamilton and Madison; that the commissioners approach the problem in the same spirit as that in which the Founding Fathers approached it when they urged the substitution of our present Constitution for the Articles of Confederation and that they communicate their findings to the people in a document which accepts *The Federalist* as its prototype. If the complete separation of the executive and legislative functions renders our federal and state authorities impotent to negotiate and agree, if the basis of representation in the Senate of the United States makes it an inappropriate body to participate in the process of distributing federal funds among the states, if there should be a constitutional prohibition, after the Swiss model, of double taxation of property or income as the result of the joint action of the several states, if some new type of federal-state council should be set up and given authority to operate in this area of federal-state financial relations—if such matters as these are involved, the course of action suggested above is clearly desirable.

The probable alternative is the continuance, at a rate sometimes rapid, sometimes slow, of the present trend toward nationalization—nationalization by default, through indirect coercion and by passive acquiescence on narrow selfish grounds to numerous minor proposals. If we are to have nationalization, the choice should be made deliberately, freely and intelligently.

The federal form of government has in the past proved an efficient device for securing a high measure of local self-government and freedom. If, as is sometimes alleged, the federation is becoming progressively less efficient, if the states are becoming embarrassing obstructions to desirable adaptations, it is important that the problems involved, whatever their ramifications, be frankly faced and the appropriate remedies, even if they be found to involve constitutional amendments, be intelligently selected and courageously applied.

Yours truly,

As the stenographer closes her book, the governor is seized with panic. "Suppose Senator Tydings should set up such a commission," he exclaims, "and then ask me to suggest the names of those modern counterparts of the Founding Fathers!"

ROBERT MURRAY HAIG

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HOW NOT TO RECONVERT

THERE are many ways of going wrong in handling the demobilization of the special war controls and the reconversion of the economic system back to the kinds of controls that are normal and suitable for peacetime. There are too many ways to canvass them all; even the mistakes that are fairly likely to be made. If a New Deal administration is in undisputed power, it will make one kind of mistakes; if the Republicans are in full power, they will make another; while if the current variety of split situation prevails, with a bipartisan majority against many administration measures, there will be a third set of possibilities for going wrong. There are also some mistakes that are likely to be made, whatever the administrative and political situation.

It would not be wise to become too much impressed with the likelihood of dire disaster in case certain things are done wrong. That is, we should not get into a mood which would predispose us to getting panicky later on, when reconversion is under way and two or three serious mistakes have been made. Many things will be done wrong, and many right things will be left undone; and in spite of this we shall probably come through somehow. But we had better not start with the express expectation of "muddling through"; because this coming crisis will not permit as much muddling as earlier crises which we have survived. Coming through is a probability, not a certainty. Catastrophe is also possible.

The Experience of 1918-20

After the first World War this country blundered through to the temporary and spotty prosperity of the 1920's; and this has often been called a fairly successful reconversion—often also a lucky one. Actually, it affords a very good model of things to avoid in the reconversion that will follow the present

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war. Twenty-five years ago we were reconverting from a war of nineteen months' duration, which absorbed at the peak less than 25 per cent of our national gross product and ended before substantial inroads had been made on supplies of miscellaneous durable goods available for consumers. The current war will have lasted longer, absorbed roughly twice as large a percentage of our national product and brought about far more than twice as much conversion and diversion of productive facilities from ordinary peacetime production. The earlier reconversion experience, easier though the task was, included: (1) considerable unemployment and real suffering during the winter of 1918-19; (2) an unsound inventory and speculative boom in 1919-20; (3) a violent and drastic deflation and depression in 1920-21; and (4) a return to "normalcy" — a prosperity marked by sick-industry conditions, especially in agriculture and coal mining, and coming to an end in 1929 for reasons which we can now see (with the aid of hindsight) were inherent in the situation.

The troubles we experienced in the first three years after the Armistice of 1918 were due to causes, most of which will be with us when the present war ends, but which will be multiplied manyfold. The time sequence will presumably be different, mainly owing to the likelihood that the Pacific war will continue after the European fighting has ended. Nevertheless a survey of the earlier experience reveals a surprisingly large number of elements, both major and minor, which have their counterparts in the situation that is visibly in store for us in the coming post-war reconversion.

To make the briefest kind of summary: In 1918-19, controls of prices, wages, production and priorities were abruptly taken off, largely within a couple of months and while government spending was still close to its peak, and government deficits were still large. Much war contract work was stopped at once, especially army contracts; but much navy and shipping board work was completed; and food, clothing and supplies went to Europe in large quantities, the movement being financed in part by private credit, in addition to government spending. Thus

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there was a mixed situation, involving unemployment for some, while the government was still paying out large amounts of money to others. Perhaps the net effect can be summarized by saying that controls went off while people's money incomes were still running ahead of the supplies of goods on which those incomes could be spent. People were still being paid to produce things they could not buy for personal consumption.

The resulting inflation did not come at once. Much of the work of reconversion appears to have waited for tangible evidence of consumer demand which might justify it. Meanwhile, production of materials fell off, though these materials were soon to be in intense demand. Consumer demand soon began coming into the markets. The existence of accumulated war savings undoubtedly furnished some part of the financing though there appears to have been no reduction in the volume of these savings in the aggregate. While some were liquidating war savings, others increased theirs; and the federal debt was still increasing. Reviving demand for consumers' goods caught the economy with reconversion incomplete and the inventory "pipe line" waiting to be filled up. The result was a boom in production and prices, in which uncertainty of getting deliveries caused buyers to multiply their orders, and the effect was intensified by speculative buying. The rise in prices continued for a few months after industrial production had leveled off and after manufacturing employment had begun to shrink. Wages and cost of living rose along with wholesale prices, until the whole price structure collapsed in June 1920.

After the resulting violent deflation and depression, recovery was helped out by some backlogs of demand which had not had time to materialize earlier. Railroad rehabilitation, housing construction, expansion of the automobile industry, of highway construction and related construction work, including the growth of suburban life and all the outlays that went with it—all these contributed. A major factor was the international situation, marked by the persistent attempt of this country to collect money payments on war debts and reparations, while restricting imports to such an extent that full payment in goods

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was impossible. This could not go on forever, but the reckoning was postponed by export of capital to the amount of approximately six billions during the post-war decade, on an increasingly unsound basis. Meanwhile, the international price structure was unsettled by what amounted to forced sales, largely of agricultural products, by countries with large payments which they must meet. In 1929, all the chickens came home to roost at once.

Ways of Going Wrong Next Time: Governmental Disorganization

One of the simplest ways of making sure of plenty of mistakes of omission and commission in the reconversion period is simply to leave the federal government in its present disorganized condition. Do nothing to integrate the executive branch; do nothing to improve the unduly sprawling organization of the congressional committee system or to alter the method of choosing committee chairmen by seniority; and above all, do nothing to improve the liaison between the executive and the congressional committees. To make the most of the possibilities of calamity which this situation contains, we should also continue the present circumstances in which there is no clear congressional majority supporting a comprehensive national policy of any sort, whether administration-sponsored or not. But even without this, the other features are quite sufficient to insure ample trouble.

The fact is that we do not have a form of government capable of doing its part in regularizing the state of activity of a vast modern industrial economy, with a proper combination of promptly flexible administrative leadership and responsibility to the elected representatives of the people in Congress, who must be the ultimate policy-determining or policy-sanctioning body. To get the utmost harm out of this situation, it is only necessary to let the various important functions connected with reconversion each be shared between several agencies with ill-defined jurisdictions; and to let each agency develop its own ideas of policy until it comes in conflict with the others and also is called on the carpet by an assortment of congressional com-

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mittees who will, for lack of active and constructive liaison, have become thoroughly suspicious of administrative intentions.

Specifically, the work of assisting demobilized service men to find jobs involves vocational rehabilitation and training, divided between the Federal Security Agency and the Veterans' Administration; and job placement, divided between the Re-employment Division of the Selective Service Administration, and the United States Employment Service under the Security Agency which is under the War Manpower Commission, with local draft boards and special local committees participating. The Selective Service Administration is no longer under the War Manpower Commission, though expected to coöperate with it. This is not as chaotic as it sounds: for example, the Selective Service Administration is charged with the rights accorded by the Selective Service Act to service men who left permanent jobs, to reëmployment with their original employers, while civilian workers who lose their jobs come naturally under the National Employment Service, which should be the nation-wide clearinghouse for job opportunities. But a logical division of function, where it exists, does not avoid the passing of cases from agency to agency, nor guarantee against overlapping in practice, nor does it ensure adequate support of one agency with central, over-all functions. Presumably a really successful outcome will make great demands on the intelligence, patriotism and good will of the personnel of the various agencies. Failure to build up an adequate nation-wide employment service, well staffed, with well-defined functions and scope of operation, is one of the first and most obvious of possible mistakes.

Contract Terminations

The next group of mistakes may occur in connection with the termination of war contracts. Here there are four main chances to go wrong. Slow settlements may impede the financing of reconversion, delay in determining the status of war plant facilities may hold up plans for reconversion, disposal of inventories may be bungled, and ultimate disposition

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of plants may unduly fortify concentration of ownership, tending to monopoly.

The first danger is probably not great. There appears to be widespread agreement on the policy of prompt payment of as much of the contract claims as can safely be so paid; and even if good intentions in that respect fail to be fully carried out in practice, credit funds will presumably be made available, at least in most cases where they are needed. If there is a danger here it would seem to rise largely from the difficulty which many smaller contractors and subcontractors might have in convincing private credit institutions that they were good loan risks, when their assets consisted too largely of unsettled contingent claims against the government.

Another way to slow things down arises in connection with the provisions for determining the disposition of plant facilities owned by the government and operated by private companies. Typically, the company has ninety days in which to decide whether it will buy the property at a depreciated cost price, and a further ninety days during which it has the privilege of meeting the bid of any other company. These provisions seem admirably calculated to promote a delay of six months or more, with the result that really prompt reconversion can be very effectively hamstrung merely by doing nothing about these provisions and letting them run their course. If this policy is too obviously wrong to be followed, the matter might be dealt with by individual negotiation, in which case there would be different possibilities of going wrong. Separate negotiations on this one matter would leave the government with too little bargaining leverage. Careful negotiation covering all phases of contract-termination could be unduly time-consuming, simply because of the overload of work on the administrative agencies, while the dangers of hasty negotiation are obvious.

Ways of going wrong in the disposal of inventory supplies are easier to point out than to avoid in practice. After the first World War many supplies were disposed of abroad, while in this country supplies were at first withheld from the markets, and then disposed of when prices began to rise, but without

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stopping the speculative boom. One mistake which seems to have been made in France after the first World War was to let such supplies get into the hands of speculators, with the result that the economy did not benefit from the favorable terms on which they were sold. If we do no more next time than we did last time, we shall not be in a position to forestall or control a speculative inventory-boom, if one should develop. We can trust the government to wish to do the right thing with these supplies, and to use them to promote rapid and orderly reconversion, getting materials into the hands of producers as fast as they are needed, and letting dealers have finished goods as needed to obviate shortages, but not forcing either materials or finished goods on a tottering market. There are, however, many ways of doing the right thing at the wrong moment or in the wrong way.

The ease with which great industrial empires can grow still greater, through the position of advantage they have in acquiring government-financed plant facilities, is too obvious to need elaboration. All we need to do in order to increase greatly the monopolistic and semi-monopolistic features of our economy is to let nature take its course in the disposition of these facilities. This might or might not delay the immediate reconversion; it would be fairly sure to make trouble for a program of full employment in the long run.

Demobilizing the Economic Controls

Another way to make trouble for ourselves would be to let the anti-inflation front cave in completely now, while the war is still going on. However, this is so obvious that it hardly seems worth while to consider the possible results of complete collapse of the efforts at control. Whatever happens, there will presumably be a determined effort to make at least an orderly retreat toward inflation, which will delay the process. However, if the process goes very far, farm prices, industrial prices and wage rates will all have risen to new high levels; but the farm prices will encounter world market conditions, within a couple of years after the end of the fighting, which are likely to make it impossible to maintain anything like the war levels;

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while industrial wages, and with them industrial prices, are likely to resist deflation more effectively. This would leave the farmer relatively worse off than if everybody's prices had remained lower. Of all the groups that are promoting inflation in the pursuit of their own interests, farm organizations would seem to be making the greatest mistake, from the standpoint of the true interests of their own members.

In any case, a big price inflation before the end of the war would give us a price structure which would be more difficult to bring into satisfactory post-war relationships. Even if price control is maintained in some fashion until the end of the fighting, there is still an opportunity to go wrong by then dropping the price and commodity controls immediately, and disbanding the control machinery, thus leaving ourselves without protection against a possible post-armistice inflation, like that of 1920, which could do a great deal of harm. Or, if there should be a heavy price-deflation in the basic materials as the markets lose the support of the war demand, we could undoubtedly make considerable trouble for ourselves by setting up a new N.R.A., or embarking on a hasty program of price floors in place of ceilings, at levels which world conditions will not support, and backed by indiscriminate stockpile-buying which could easily degenerate into a sheer racket.

It will probably be inviting trouble if we make up our minds that things are going in just one way, and are prepared for that and nothing else. We need to plan, but for more than one possible eventuality. We might have temporary deflation without permanent surpluses, in which case the way to go wrong is to let the deflation go as far as it will. Or the deflation might be a sign of an enduring condition, in which case the mistake would be to try to peg prices rigidly against forces that would prove irresistible. On the other hand, we may have inflation without real or permanent shortages; and in this case it would be a mistake not to resist it. A mistake on the opposite side might be made by failing to adjust prices sufficiently to permanently increased real costs. Or we might have temporary deflation and temporary inflation, both at once in differ-

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ent areas, or various other possible combinations. One of the clearest conclusions is that mistakes are not going to be easy to avoid.

In general, we can go wrong if we take off every control as soon as a moment arrives when it is not pressingly needed, without making sure that the need will not soon revive. There is likely to be a pause of a few months before the post-armistice reconversion activities get fully under way; and during this pause shortages and inflationary forces may disappear temporarily or turn into surpluses and deflationary pressures. But this might change again. There may be partly unsalable war-time stocks coupled with shortages of things consumers really want, especially durables. This, and the need of building up inventories suited to post-war markets, will create an active demand; and this will be passed on to demand for materials. This demand might revive to such a point that producers would multiply orders, to assure themselves of future supplies, and would thus create fictitious scarcities even if supplies of materials are actually ample. If industry wishes to make this situation a little worse, it could probably do so by curtailing abruptly the production of basic materials as soon as the initial pause is felt, thus leaving the markets less well supplied and more exposed to an inventory-boom when demand revives.

A companion mistake would be to stop all rationing, while there is still heavy demand to feed and clothe destitute populations in Europe; and to abandon priorities, allocations of materials and inventory controls, while the pressures of active reconversion are still to come. This would remove our protection against a violent inventory-boom which would be bound to end in a destructive collapse. This mistake might be made for various reasons and under various pressures. The officials at the top might be tired of an unpopular job and anxious to get back to their own businesses. Or if these officials are kept in harness by realization of the need for continued control, they may lose the best of their staffs, especially where these consist of business men who have made a financial sacrifice in order to serve the country through the war emergency. Or controls

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may be broken up by increasing resistance to rationing on the part of consumers, and increasing resistance to allocations and other such controls on the part of industry.

There are similar chances to go wrong in the matter of credit controls. Restrictions on consumer credit, under Regulation W, are not very active at present; and this could easily lead to the conclusion that they are not needed any more. So it would be very easy to make the mistake of abandoning them, after which it might be next to impossible to restore them when the need arose—as it inevitably would. Whether or not a general over-all inflation occurs after the war, there is sure to be a market for consumer durables in which monetary demand is far in excess of the supply, for a considerable period.

It is going to be hard to do anything very effective to restrain a post-armistice inflation via credit control; and it may be the line of least resistance to abandon this effort. General restrictions which would raise interest rates will conflict with the need of keeping interest rates low in order to maintain the market for government securities. Then if the credit authorities are too reluctant to impose selective controls, they may become quite impotent. These factors appeared in 1919 and prevented the credit system from being in a position to check a buying boom in its beginnings. Later, in 1920 when the boom had gathered headway, individual banks continued to expand credit in the face of a 7 per cent rediscount rate imposed by the Federal Reserve System. There may be, and probably will be, a sufficient effective demand for consumer durables to create inflationary conditions in that area, without any help from expanded consumer credit. In that case, removal of consumer credit controls would merely make matters worse.

If a stimulus is needed, it can be furnished by easing of restrictions on instalment credit, or on general charge accounts, or both. Here the easy mistake to make is to relax controls too soon, and use up this stimulus before it is needed. Then when a depression really comes, we shall have one less shot in our locker with which to combat it.

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The Tax Dilemma and Business Attitudes

Taxes, of course, are a field in which it will be much easier to go wrong than right. Political lines of least resistance will lead in the direction of taking off first the taxes which lay burdens (though relatively mild ones) on individual incomes of small and moderate size, while continuing burdensome business taxes. The result would naturally be to release more consumer purchasing power before production of civilian goods is restored sufficiently to supply the demand; and to deter business from investing in the creation of new products or in any other restoration of civilian production which is at all risky, owing to the way in which the taxes on business incomes load the dice against risky investments.

This would tend toward immediate inflation. But a more serious effect might be to channel industrial reconversion into the most obvious, most familiar and least imaginative lines, because they are superficially less risky. Thus these lines would become risky through overcrowding, and meanwhile the necessary preparation for the later stage, when consumer demand must rest on a basis of income derived from an expanded and reoriented civilian production, may be retarded or choked off.

Business can make mistakes, too. All it needs to do, in order to make sure that there will not be a revival of production sufficient to absorb the post-war labor force, is to "play safe" and wait for demand to materialize before converting or reconverting its war plants. Of course, for business as a whole, this would mean anything but playing safe in reality. It would make a post-war depression practically certain; and it would be very easy to do, especially if the preliminary settlement of war contracts is delayed and if taxes are mishandled.

To clinch the matter, business might hold out for rates of return such as used to be considered fair and reasonable in simpler times, failing to readjust its ideas to a new era in which there are many more billions of investment to be absorbed, and in which old-fashioned percentages of return on vastly increased capital sums would absorb a larger fraction of the

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national income than capital and enterprise as a whole will be able to secure. The demands of capital and of organized labor might then afford an example of a deadlock between an irresistible force and an immovable body, leading to stagnation of investment and employment.

Labor Policy

Labor policy represents another of the areas in which it may be easiest to go disastrously wrong. While average weekly real earnings have risen, nevertheless there are many groups, especially white-collar groups, whose real incomes have fallen; and there are many strong and well-organized groups who are firmly convinced that they have suffered real injustice under the "hold the line" order and the rulings of the War Labor Board, and have only acquiesced in order not to disrupt the war effort by striking. Such groups feel that as soon as the end of fighting frees them from the obligation not to strike, they have something coming to them. So it is entirely possible that there will be a wave of demands for increased wages, which have been denied while the war was going on. The conscious conflict between organized labor and the "farm bloc" is also likely to flare up into active warfare. In the course of the resulting struggles, many things could happen to injure the course of orderly reconversion of the economy.

Strikes in the mechanical trades could delay necessary retooling, or, if demands are met for the sake of avoiding a strike, wages in these trades might be out of line, setting an excessively high mark for all the other trades to shoot at. If such a movement went to considerable lengths, a wage structure could easily result which many industries could not pay unless prices were raised, in which case the principle of compensating for increases in the cost of living would start wages upward again. The situation affords splendid opportunities for setting real wage rates above what industrial productivity will support: a situation which might lead to unemployment or inflation, depending on how far the government goes in furnishing work to those whom private industry cannot employ.

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Another alternative would be an attempt on the part of the employers to beat down wages, using the leverage of unemployed war workers; or possibly even to attack the closed shop or maintenance-of-membership arrangements which unions have been able to obtain during the war. Moves of this sort might precipitate a struggle which would prevent orderly remobilization.

Especially in the later stages of reconversion, there would be chances to go wrong in opposite directions. If reëmployment is unduly slow in coming, for reasons already suggested, or if people merely lack confidence in its coming, or if provisions for compensation of the unemployed are inadequate, then consumer demand will fail to revive sufficiently, in spite of separation-pay, unemployment benefits and backlogs of war savings. Too many people will be unsure of keeping their jobs, and this will make them unwilling to spend their savings until they have actually lost their jobs and exhausted their separation-pay and social security benefits. Then they would spend savings slowly, for necessities only, not for new cars, electric refrigerators or houses. In that case, we may avoid the danger of an inflationary boom, at the expense of failure to bring about adequate reëmployment.

Or mistakes may be made in the other direction. If the government takes literally the proposal frequently made, that troops should not be mustered out until there are jobs actually waiting for them, then there will be unnecessary delay in filling many jobs; and that will mean that other jobs, dependent on the facilities or the income created by the first, will not be ready as early or in as large numbers, so that the delay will work cumulatively. Moreover, service men who do not want to go back to their former jobs will for the most part want a vacation first, and then will want to do some choosing and trying for themselves. They will have a disposition not to welcome being routed directly from the service into some specific job with a specific employer. Unless very carefully handled, this would savor too much of regimentation.

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Or if the government avoids this mistake, it can make another one by starting vast public works projects the moment any unemployment appears, with the result that these projects get to the stage at which they begin absorbing large amounts of labor a year or more later, at just about the time when private construction would otherwise revive. Or if the government is too undiscriminating in furnishing employment, it may come to the rescue of labor groups and industries which have priced themselves out of the private market. The government may pay union rates which are so high that private contractors regularly disregard them and pay less and their employes acquiesce in order to get work. Then in many localities the only workers fortunate enough to be paid the nominal union scale would be those employed on government projects. Or if this happens immediately after the end of fighting, when private contractors, in order to compete with war work, are paying union scales, which they formerly disregarded, then it may tend to hold the private contractors up to the union rates, and thus help to maintain prices and wage rates which are so high that they stand as obstacles to the expansion of private demand. If the government actually guarantees literal full employment, without sufficient safeguards, it can easily find itself forced to choose between progressive inflation, on the one hand, and permanent administrative control of wages and prices, on the other. It is hard to say which would be the more unwelcome.

Mistakes in Long-Run Attitudes

For the longer pull, there are two opposite ways of going wrong in basic attitude and policy. One is to go on doing lip service to the necessity of preserving private enterprise, and letting it stop with lip service, doing nothing to discover and change policies that may make it impossible for private enterprise to do its job and to maintain health and vigor. Another is to try to create a favorable business climate by abandoning or emasculating all regulatory policies that are at all unwelcome to any considerable business group. The result would be that

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a flourishing crop of abuses would grow up, including unchecked monopolistic practices in industry, while the government might be expected to continue to promote monopoly in agriculture and in the sale of the services of organized labor. The result would be an economy of restricted output and unemployment.

The outcome might be slightly delayed, since one of the first effects of unduly high wage rates might be to drive some industries to install laborsaving equipment, thus temporarily sustaining demand and employment in the equipment-making industries. But since mechanical equipment for industry is a relatively secondary fraction of the total of capital outlays, any stimulative effect of this sort is likely to be outweighed by depressive effects elsewhere (for example, reduced demand for housing due to exorbitant cost). The enduring effect of restrictive monopoly is bound to be depressive.

There are, of course, plenty of chances to make mistakes in the field of international policy, and some of these may be briefly mentioned, though they are not the primary subject of this article. Lend-lease may be left in its present ambiguous state, with the result that there will be vague and general expectations of repayment, but countries will not know where they stand and whether or not this war is going to follow the model of the first World War in leaving behind a legacy of uneconomic international financial obligations. All we need to do is to follow the line of least resistance, and fail to face the question whether we want repayments in goods, and whether repayments of other sorts have any real meaning; and we may easily slip into the same impasse which made so much trouble before.

Along with this would naturally go a failure to establish conditions under which this country may resume an export of capital. Capital markets, if invited to repeat the experience of the twenties and thirties with international investments, would probably adopt an attitude of "once bitten, twice shy." Or if the export of capital is resumed actively, permitting this country to continue an export trade balance and to postpone the re-

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ceipt of a balance of payment in goods, then the next mistake we may make is simply to act as if this could go on forever, without ever leading to a reduced export balance or an import balance, as returns on investments begin to mount up.

This is closely akin to the final mistake we might make, if we avoided all the others and entered upon a period of prosperity and active employment while making good the deferred construction of houses, schools, roads, automobiles and other durables—the whole category of deferred durable products. The mistake would lie in supposing that this could go on forever. If we are successful in getting that far, we shall at least have a breathing space in which to consider what to do when the backlogs of deferred demand have been worked through. But the easiest mistake of all to make would be to repeat the mistake we made during the prosperous twenties—that of regarding a temporary condition as a new and normal era of permanent prosperity.

An enduring state of abundant employment will not come without great changes. Many people think they realize this; but it is human nature to think of the uncomfortable changes as coming to the other fellow—he must mend his ways in order that my way of life may continue, though what I understand as my way of life very likely is an unattained aspiration which never existed and cannot possibly continue. A "changed world after the war" probably means, to the average business man, the downfall of the "New Deal" and a return to free private enterprise, including freedom for a trade or industry to make mutual arrangements to "stabilize" itself and ensure a "fair" profit—meaning more than capital can permanently earn. To the average worker it probably means more power for organized labor to enforce its demands, in a setting which will somehow donate an assurance of full employment for good, bad and indifferent workers alike at "fair" wages—meaning more than the indifferent worker is worth. For some farm leaders it means a docile "farm bloc" in Congress which will assure farm parity, with improvements, and will also somehow produce from somewhere demand for farm products at parity prices.

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For a certain type of "New Deal" reformer, it means a free hand to promote the health of private enterprise by regulating every practice in which abuses are anywhere uncovered and, if business activity lags under this form of therapeutics, to spend the nation into full employment in peacetime as it has been spending itself into full employment during war, piling up astronomical debts which are no burden because we owe them to each other.

None of these pipe dreams is coming true, and the more thoughtful members of each group know it. The system which these pipe dreams reflect is the system which was on its way to breakdown during the pre-war decade, and will go the same way faster after the war, if these attitudes are maintained. The way to ensure ultimate breakdown is for all these groups to adopt these attitudes, and stick to them rigorously. Nothing more would be needed.

JOHN MAURICE CLARK

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BRITISH AND AMERICAN SHIPPING POLICIES: *A PROBLEM AND A PROPOSAL*[1]

IN January 1944, Rear Admiral Emory S. Land, War Shipping Administrator, announced that by December 1, 1943, all shipping destroyed during the war had been replaced, almost exclusively through the American shipbuilding program.[2] If the building programs of the United States, Canada, Japan, and the neutral countries (Sweden and Spain in particular are expanding their merchant shipping) remain on schedule, and if the rate of losses through warfare remains stationary, by 1945 the world total is likely to be in excess of 60 million gross tons, compared with 50 million gross tons of ocean-going vessels[3] in 1939. This conjecture raises the question whether the expected record volume of tonnage afloat will become a useful instrument for the international exchange of goods, or a useless monument to the wastefulness of war.

Any answer to the first question is closely connected with a second set of problems arising out of the changing distribution of the total tonnage by flags. Before the second World War, Great Britain, with 15 million gross tons or 30 per cent of the world ocean-going tonnage, held undisputed supremacy, while the United States, with 8.5 million gross tons, was a poor second. During the war, the volume of shipping under the British flag has diminished almost continuously, despite extensive purchases of foreign-owned (largely American) vessels, while Allied, Axis and neutral shipping has also declined, though at a less rapid rate. After the ban on the use of American shipping in

[1] The author is indebted to the Yale Institute of International Studies, which initiated this paper as a part of a comprehensive study of future British-American relations, for permission to submit it for publication. The members of the Institute have read the manuscript and made valuable suggestions; nevertheless, the author alone is responsible for its contents.

[2] *New York Times*, January 4, 1944.

[3] Of 2,000 gross tons and over. For a definition of ship measurements, see notes to Table 1, *infra*.

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war zones was lifted by the repeal of the Neutrality Act—thus making further transfers to Allied or neutral (mostly Panamanian) flags unnecessary—and after the expansion of the shipbuilding program of the Maritime Commission to the record levels of 5.5 million gross tons in 1942, and 12.5 million gross tons in 1943, the American merchant tonnage rose rapidly, reaching the depleted 12-million-ton level of the British marine by midsummer 1943, and outnumbering it by 1.5 to 1 at the end of that year, in spite of the transfer of 15 to 20 Liberty ships per month for a period of ten months "for temporary wartime duty".[4] If no further allocations of American-built ships to Great Britain are made, and if future war losses affect the American, British and Allied merchant marines proportionately, the merchant tonnage under the American flag will be far in excess of one half of the total world tonnage by 1945. At the same time (and under the same assumptions) the British merchant tonnage may fall below the 10 million mark, or to less than two thirds of its pre-war size.

The extent of the dislocation of world shipping, as a result of the rise of the United States to the position of the strongest maritime nation, becomes more obvious if it is recalled that before the war only 3 million tons, or slightly more than one third of the ocean-going marine of the United States, were engaged in foreign trade, while more than 90 per cent of the British merchant navy served in overseas transportation. American ships carried only 25 per cent of the sea-borne foreign trade tonnage of the United States, or 5 per cent of the volume of the sea-borne trade of the world; British ships, together with 2 million tons under Dominion registry, carried 40 per cent of the world's overseas trade. The American post-war marine would not only amply provide for the transportation of all of the foreign trade of this country (assuming a pre-war volume of trade) but leave room for a substantial participation in non-American trade. The British tonnage would hardly suffice to take care of the empire trade.

[4] This was announced by Prime Minister Churchill in the House of Commons on August 3, 1943. *The Economist*, vol. 145, No. 5215, August 5, 1943.

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United States Merchant Marine Policy

Obviously, the prospects of a "floating avalanche" in the United States and the simultaneous scarcity of shipping in the hands of the old maritime nations have caused a considerable amount of speculation and invited statements on future policies by official spokesmen and representatives of the shipping industries of all countries concerned. The most striking feature of the outlines of the national policies is that they have been formulated, so far at least, with almost complete disregard for mutual compatibility.

The policy of the United States with respect to her merchant marine has been characterized, in the last twenty-five years, by a series of efforts to enable American ship companies to compete with foreign shipping on the basis of more or less generous subsidies. The Merchant Marine Act of 1920 established in its preamble the objectives of the American merchant marine policy in the following terms:

> [That] . . . it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States. . . .

These objectives have been reaffirmed in almost identical language in all subsequent declarations, but they were far from attainment at the outbreak of the second World War. The American foreign trade tonnage declined continuously between 1921 and 1939 from 11 million to 3 million tons. Shipbuilding, encouraged by a construction loan fund of 250 million dollars, dwindled to a complete standstill during the great depression. The private shipping industry failed to replace old vessels. By 1939 only 18 per cent of the foreign trade tonnage was less than fifteen years old; almost 60 per cent of the ships had been constructed during or immediately after the war and lacked the efficiency of the modern foreign merchant fleets.

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The Merchant Marine Act of 1936 inaugurated a period of direct and extensive aid to American shipping and shipbuilding in the form of construction-differential subsidies, operating-differential subsidies, and countervailing subsidies. Between October 1936 and June 1941, 51 million dollars were paid out in operating-differential payments and in settlement of mail contracts; 57 ships constructed at a cost of 165 million dollars were sold to private operators for 90 million dollars, involving a subsidy of 75 million.[5]

The first comprehensive statement on the American post-war shipping policy came from Admiral Land in his 1943 Maritime Day Address in Alameda, California.[6] He proposed a seven-point program as follows:

(1) Maintain private ownership, private operation, and private construction;
(2) Ship American, travel American;
(3) Ship a liberal percentage of American overseas traffic in American bottoms;
(4) Set up proper routes, lines and services with a minimum of American competition, as foreign flags will furnish all possible competition necessary;
(5) Study seriously indirect lines, as other leading maritime nations have done;
(6) Modify previous Maritime Commission policy by thoroughly considering and adopting tramp shipping;
(7) Maintain for the duration our present policy of holding title to new ships.

Some of the points are merely a reaffirmation of standing policies; others go far beyond previously set aims, particularly the invitation to enter the hitherto undeveloped fields of indirect lines and tramp shipping—presumably with the active support of the Maritime Commission and its subsidy funds.

Admiral Land elaborated his program with the following remarks:

[5] No countervailing subsidies were paid out. Of the operating subsidies, 1.6 million dollars were subsequently returned under the "recapture" provisions of the Act.

[6] *Marine Engineer and Shipping Review*, vol. 48, No. 6, June 1943, p. 172.

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> We should definitely earmark for United States commerce, under United States flag, a modern fleet of from 15 to 20 million deadweight tons [10-13.5 million gross tons]. . . . We should so set our sight as to hold this fleet of about 20 million deadweight tons but in addition, though not necessary from a world economic point of view, it is very desirable that we lay our plans so that our best shipyards . . . should be able to proceed with a nucleus of construction of new ships even though we may build up a reserve. . . . It appears probable that we will have an excess of ships. . . . We should so plan as to retain not only a proper merchant marine fleet but also a reasonable reserve even though such action might be uneconomical at the particular time.

As to the exact extent of the "liberal percentage" of American foreign trade to be carried in American vessels, a semi-official explanation has been given in the *Foreign Commerce Weekly*, a Department of Commerce publication, in rather cautious and noncommittal terms:

> . . . some shipping men hold for 50 per cent on the ground that a nation's ships should carry one-half of the trade it creates. Others consider this too high. They say certain nations producing little industrially and thus creating a small share of trade depend upon their shipping for an important share of their national income. These nations would be seriously hurt if the United States carried much more of its foreign trade, it is said.[7]

The proposals of Admiral Land have found, it appears, the unequivocal support of the owners and operators of the American merchant marine, and the National Maritime Union. The American Merchant Marine Institute, the trade organization of the subsidized shipping companies, issued a statement on post-war shipping polices[8] which is in effect a repetition and confirmation of Admiral Land's program. On three points, however, it is far more specific than any utterance from official sources. Contending that "the enemy nations have for two generations used their merchant fleets as spearheads of world penetration," it urges that "these nations should not again be

[7] *Foreign Commerce Weekly*, vol. 11, No. 6, May 8, 1948, p. 7.

[8] *New York Times*, August 31, 1943, p. 19.

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permitted to reassume such a position" and that "such of the trade routes formerly served by the Axis nations as are of importance to the defense or economic security of the United States should be serviced by American-flag vessels." Secondly, it sets the size of the laid-up reserve pool, advocated by Admiral Land, at 5 million tons. Finally, it declares, "with due regard for the legitimate interests of our Allies, [that] it is no more than reasonable that every merchant ship built and paid for by the tax payers of this country which will serve a useful purpose in our national defense and for our economic security should be reserved under the American flag for these purposes."

The gratifying success of the 1943 shipbuilding program which permitted a gradual replacement of the construction of Liberty ships by orders for "peace-design" standard C-vessels and efficient Victory ships was presumably the primary reason for an upward revision of the ambitions of the American shipping industry. Early in 1944, the National Federation of Shipping Companies, a newly founded central organization of subsidized and nonsubsidized operators and owners, embarked on an "educational program" to convince the American public of "the need for a strong post-war merchant marine" able to carry seventy per cent of America's foreign trade.[9]

The National Maritime Union, the all-important labor organization of the marine personnel, has, on various occasions, advocated a strong post-war merchant marine. In a resolution adopted at its last convention, it suggested an interesting remedy for the precarious competitive position of the American merchant marine "through the equalization upward of all wages, hours and conditions of seamen of all nations."[10] When the transfer of Liberty ships to British registry was announced, union-president Joseph Curran sent a strongly worded protest telegram to the War Shipping Administrator.[11]

It may be noted that this "program" is not sanctioned by the open approval and support of Congress and the Cabinet.

[9] *New York Times*, January 30, 1944; *Business Week*, February 12, 1944.

[10] *New York Times*, July 13, 1943.

[11] *Weekly Underwriter*, vol. 149, August 7, 1943, p. 260.

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Shipping policy has been very much neglected in the more authoritative statements of "war aims" by the President, the Vice-President, and the Secretary of State. It remains to be seen whether this omission is due to the desire to formulate a shipping policy on the basis of international considerations, or whether it is simply an attempt to avoid unfavorable reactions in Allied countries.

British Merchant Marine Policy

The traditional policy of the British government toward the British shipping industry has been characterized by a minimum of control, interference, or subsidization, relying mainly on the self-regulation of the industry in national or international rate-fixing conferences, and other trade organizations. The regular and continuous operation of lines was encouraged through mail contracts which, however, involved, on the average, annual expenditures of one million pounds only. The British government was more concerned with the decline of the shipbuilding industry whose activity it encouraged through construction loans and construction loan guarantees. The benefits of this indirect form of subsidization, however, accrued to foreign owners—Italian, French, Brazilian and Norwegian—as well as to British companies. The operators, in general, showed no appreciation of government intervention and blamed the disproportion between the volume of traffic and the carrying capacity of shipping on the "anti-economic character" of the government policy.[12] Only once did the government depart from its noninterventionist attitude toward ship operation. In 1934, when practically all tramp shipping was operating at a loss, the government offered to pay subsidies to tramp operators up to two million pounds per year, if the British operators could assure the coöperation of foreign tramp owners in the maintenance of minimum freight rates. The subsidy payments were discontinued after two years. On various occasions, the British shipping industry has expressed its concern about sub-

[12] *Annual Report of the Chamber of Shipping*, 1932, p. 16.

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sidized foreign competition [13] but no retaliatory measures have been taken.

The high rate of losses of British tonnage and the resulting shrinkage of the British merchant fleet after the war caused considerable speculation and discussion in the affected industry and the shipping-minded public. But it was not until July 1943 that the government announced, in a statement in the House of Commons by Mr. Philip Noel Baker, Joint Parliamentary Secretary of the Ministry of War Transport, the "guiding principles" of its post-war shipping policy. They are:

(1) Great Britain must continue to serve the world with a large and efficient mercantile marine.
(2) His Majesty's government will be prepared to collaborate with other like-minded governments in establishing conditions in which the shipping of the world can be efficiently and economically carried on.[14]

The Economist, reporting the announcement, comments that no "target" of the contemplated size of the British post-war merchant marine was mentioned, "in order not to prejudice negotiations with other governments and render the international collaboration more difficult." [15] It then volunteers to provide the pertinent information: empire shipping — which included before the war approximately two million Dominion tonnage—should carry the total empire trade and one half of the trade between the empire and foreign countries. On the basis of the pre-war volume of sea-borne trade, this would mean seventeen million gross tons to be shared between the Dominions and the United Kingdom "not necessarily in the same proportions as before the war." In addition to this minimum, *The Economist* suggests, "there would seem to be a strong case for adding . . . a margin of safety in the nature of

[13] *Cf.* League of Nations, *Notes by the Economic Relations Section and the Communications and Transit Section on the Merchant Shipping Crisis* (Geneva, 1934), pp. 26-27.

[14] *Economist,* vol. 145, No. 5213, July 29, 1943, p. 101.

[15] *Ibid.*

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a war reserve," amounting to three million gross tons. The paper recalls the expected American surplus and considers it "most unlikely that there will be any question of the outright gift of ships for use in peace-time competitive trade. Any suggestion of sale would raise difficult questions about price and method of payment. It is, however, just possible that some long-term lease (or even lend-lease) of these ships to Great Britain could be arranged."

If such a solution could be accomplished, preferably combined with an international arrangement for the stabilization of freight rates, the British shipbuilding industry could concentrate on the construction of special type vessels, such as tankers and refrigerated ships. For this purpose, the paper recommends, the British government should take over the construction of ships which could be leased to private operators.

The general tendencies of *The Economist* are well borne out by numerous statements concerning the attitude of the British shipping interests. The Chamber of Shipping, the most influential trade association of British ship operators, devoted a large part of its last annual report to post-war shipping problems. In the report, the shipowners ask for the transfer to private ownership of all vessels built by the government during the war; point out the expected lack of quality ships, especially passenger ships, after the war; and, finally, reaffirm their stand against subsidies in the following strong terms: "The country [Great Britain] must be prepared . . . to require that the peace settlement should include effective guarantees against the renewal of the race in subsidies which marked the pre-war period." [16]

Examples of the private opinion prevailing in British shipping circles indicate that the organizations of the industry have presented to the public the minimum expectations of their members rather than maximum demands which would leave room for eventual bargaining concessions. For example, Lord Rotherwick, Chairman of the Clan Line Steamers, Ltd. and Associated Companies, in an article in the trade journal, *Fair-*

[16] The report is quoted extensively in *The Economist*, vol. 144, February 27, 1943, p. 276; *International Labour Review*, vol. 47, No. 5, May 1943, p. 619.

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play, urged the rehabilitation of the British merchant marine to pre-war tonnage; this should be accomplished by the transfer of all enemy shipping immediately after the armistice, the construction of vessels by the defeated nations as reparation of the war losses, and, finally, "The American government to hand over such vessels built, under construction or arranged for, under their flag, to their Allies as necessary to bring up the proportion of shipping owned by them at the outbreak of hostilities." [17]

Post-War Trade and the Demand for Shipping

In an attempt to evaluate the post-war shipping programs of the United States and Great Britain (with a view to reconciling them), account must be taken of at least two sets of objectives, economic expediency and strategic necessity. For obvious reasons, these objectives are not necessarily identical, so that, for a practical solution, a compromise between them must be sought.

The test of the economic feasibility and advisability of both plans must be based on an exploration of the total demand for ocean transportation which can be reasonably expected after the war. It is a commonplace to say that the demand for shipping space depends primarily on the volume, the direction and the composition of foreign trade after the war. Between seventy and eighty per cent of the weight of goods entering into international trade is transported by sea.[18] The volume of international trade, in turn, depends on a number of variables, the most important of which are the size of the national income of the trading countries and their tariff and foreign exchange policies. It is extremely difficult to make any rational predictions about the volume of world trade after the war, except in the most general terms. The governments of all nations,

[17] Quoted in *Weekly Underwriter,* vol. 149, August 7, 1943, p. 260.

[18] Johannes Humlum, in *Die Grosschiffahrtswege des Welthandels* (quoted in League of Nations, *World Economic Survey 1939/41* [Geneva, 1941], p. 243), estimated that, in 1937, 75 per cent of the weight of goods entering into international trade was transported by sea.

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Allied, Axis and neutral alike, have in one form or another recognized the desirability of a large volume of foreign trade. In particular, the often-quoted Point Four of the Atlantic Charter, which promises "access, on equal terms, to the trade and to the raw materials of the world", and the more explicit Article VII of the Lend-Lease Agreement between the United States and Great Britain—which appears in identical form in all subsequent Lend-Lease Agreements—pledging the contracting parties to the promotion of "the betterment of world-wide economic relations", to "the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers", are significant declarations of policy. Attempting to interpret these promises in realistic terms, it may be permissible to define as the "limited objective" of post-war international trade policies the attainment of the volume of trade of 1929, the record year in world commerce.

Given the expected volume of world trade, additional assumptions as to the direction and the composition of the commodity flow are needed. The direction of world trade has undergone important changes between 1929 and the outbreak of the present war.[19] However, a scrutiny of the developments between the peak years of the interwar period and 1939 suggests that only a relatively small number of the changes represent structural shifts. Most of the pertinent developments, primarily the curtailment of the economic intercourse of continental Europe with the rest of the world, must be attributed to the repressive and discriminatory trade and exchange policies to which the majority of the countries resorted during and after the great depression. The only development which is likely to have a lasting effect is the progressive industrialization of countries which formerly produced exclusively foodstuffs and raw materials, a phenomenon which will influence the composition but not the volume of international trade. If post-war trade develops along the lines inaugurated by the

[19] *Cf.* League of Nations, *The Network of World Trade* (Geneva-Princeton, 1942), *passim*, especially pp. 7-10, and diagrams, pp. 78, 90.

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official documents quoted above, there is every reason to assume that the trends of the thirties will be reversed so that the 1929 data would serve as a more logical basis for conjectures than figures for later years.

TABLE 1

SUPPLY OF AND DEMAND FOR OCEAN TRANSPORTATION

Year	(1) World Merchant Fleet [a] (mill. of gross tons)	(2) Volume of World Trade [b] 1929 = 100	(3) Volume of Ocean Transportation [c]	(4) Commodity Tons Carried per gross ton Column (3) ÷ Column (1)
1913	36.0	——	250.8	6.97 ——
1921	39.3	——	161.6	4.11 (3.86) [d]
1927	46.1	91.9	275.3	5.97 (5.58)
1928	46.0	95.2	277.3	5.91 (6.37)
1929	48.8	100.0	297.3	6.09 (6.25)
1932	42.7	74.6	207.3	4.85 (4.30)
1933	43.3	75.4	209.4	4.84 (4.16)
Post-war I	50	100	300	6
Post-war II	60	120	360	6
Post-war III	60	130	390	6.5

[a] Ocean-going vessels of 2,000 gross tons and over, excluding laid-up vessels. The size of vessels is measured in three different ways: The terms *gross* and *net* tonnage refer to space measurement, 100 cubic feet being called 1 ton. Gross tonnage is the capacity of the entire space within the frames and the ceiling of the hull, together with those closed-in spaces above deck available for cargo, stores, passengers, or crew, with certain minor exemptions. Net or registered tonnage is what remains after deducting from the gross tonnage the spaces occupied by the propelling machinery, fuel, crew quarters, master's cabin, and navigation spaces. It represents substantially space available for cargo and passengers.

Dead-weight tonnage is the weight in long tons required to depress a vessel from light water line (that is, with only the machinery and equipment on board) to load line. It is therefore the weight of the cargo, fuel, etc., which a vessel is designed to carry with safety.

"Cargo tonnage", not a measure of vessels, represents weight of cargo, in long tons (2,240 pounds), short tons (2,000 pounds), or metric tons (1,000 kilograms). In the subsequent tables metric tons have been used.

[b] Source: League of Nations, *Review of World Trade, 1938* (Geneva, 1939), p. 60. The index represents changes in the value of imports and exports after the elimination of the effects of price changes.

[c] Source: *Statistisches Handbuch der Weltwirtschaft* (Berlin, 1936), p. 545; computed by the *Statistisches Reichsamt*. The original figures refer to the ocean transportation of 122 bulk commodities and include approximately 85 per cent of the total ocean transportation of goods. In order to get a closer approximation to the "degree of utilization" the original data have been augmented by the missing 15 per cent.

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The resulting choice (in Table 1) of the figure 6 (and 6.5) as a measurement for the relationship between merchant tonnage available and commodity tons carried [20] is admissable only for the later post-war period in which all short-run adjustments of the war-torn economies of Europe and the Far East will have been made.[21] As soon as two-way transportation can be resumed—the exact time will depend largely upon the speed of readjustment of the British and continental industries —and vessels can be operated with greater efficiency, a surplus of, say, 10 million gross tons will result if the volume of ocean transportation remains at the highest interwar level of 300 million cargo tons. If, then, the expansion of world trade ceases, a repetition of the sad spectacle of laid-up fleets, with the resulting sagging of freight rates and the curtailment of ship construction below the volume of replacement, appears unavoidable.

If, on the other hand, the more optimistic expectations of a constant expansion of the volume of world trade beyond pre-war levels should come true, the post-war tonnage of the world's merchant fleet will be sufficient to take care of an expansion of 20 per cent above the 1929 volume.[22] Any further extension of international economic relations need not

[d] The figures in parentheses represent the "degree of utilization" of the American foreign trade fleet. They have been computed by dividing the cargo tonnage carried in American foreign trade—imports and exports—by the gross tonnage of the foreign trade merchant marine. It will be observed that the American figures are of the same magnitude as the world data but fluctuate more widely between prosperous and depressed years—a fact easily explainable by the composition of American exports and imports. The coefficients should be interpreted with caution because the limiting factor of the utilization of shipping space is either cargo space available (*net* tonnage), or the weight-carrying ability of the hull (dead-weight). However, for global figures as those presented, the relation between gross, net and dead-weight tonnage is sufficiently close to permit the use of the available gross tonnage data.

[20] Post-war assumption I in Table 1.

[21] In this connection it should be stressed that the present account of post-war shipping problems is primarily interested in the long-run adjustments. For an extensive discussion of short-run problems—with a strong plea for an international administrative agency—see K. Lachmann, "The Shipping Problem at the End of the War", *Social Research*, February 1943, p. 24.

[22] Post-war assumption II in Table 1.

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necessarily give rise to a continued growth of total tonnage; quality improvements resulting in a better exploitation per gross ton would suffice to provide all transportation facilities needed. Thus, an increase in utilization of only 8 per cent would sustain an expansion of world trade by 30 per cent above the 1929 level.[23]

If the preceding argument is accepted within the limits of a wide margin of error of prognostication, it follows that after the war the world as a whole will be amply provided with ocean transportation facilities. Nevertheless the replacement of aging vessels and the shortage of special-purpose bottoms will assure a high rate of employment for the shipbuilding industries, if an eventual temporary glut of vessels is met by an intelligent reserve policy for which a strong case on economic grounds can be made, in addition to (or in spite of) its primary noneconomic aims.

The expectation of a high rate of ship construction does not mean that the war-expanded shipbuilding facilities of the belligerent and neutral nations in general, and of the United States in particular, will be continuously and fully utilized after the war. The total tonnage of merchant and naval vessels launched in 1943 in the United States may be estimated at 25 million gross tons;[24] the output of the world's shipyards may be as high as 35 million tons. Return to normal working conditions without multiple shifts may eliminate more than one half of this enormous capacity to produce. But even assuming a continued high rate of naval construction, it is impossible to conceive of any combination of determining factors which would forestall the laying off of a substantial portion of

[23] Post-war assumption III in Table I. An improvement of the intensity of utilization does not necessarily imply the substitution of old by new vessels. A change in trade routes, or simply more economical use of shipping space can have identical results.

[24] *Cf.* Mr. J. L. Luckenbach's report to the board of managers of the American Bureau of Shipping, "our estimated building of Navy tonnage has at least equaled the production in merchant vessels." *New York Times*, August 1, 1943.

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shipbuilding facilities. Even if the "normal" twenty-year life span of vessels was shortened by one third, construction for replacement which would also provide for constant efficiency improvements for a world merchant fleet of 60 million tons would not amount to more than 5 million tons per year. This optimum rate of production still would leave about one half of the building facilities unused.

In the United States the number of persons engaged in ship construction reached the 1½ million mark in 1943,[25] compared with 100,000 workers in 1938. The contraction of shipbuilding activities at the end—or before the end—of the war presents in all probability the largest single reconversion problem in terms of manpower utilization.[26] The large labor force available will strongly influence the shipping policy which the United States will choose after the war, presumably in the direction of a continuation of shipbuilding activities on a scale well above the pre-war level.

Probable National Distribution of Shipping

The problem of the future distribution of the merchant marine of the world is far more involved and beset with dangers than the problem of its size. At the outset, it should be emphasized that the notion that each nation "should carry one-half the trade it creates" [27] cannot stand the test of basic economic reasoning, despite the handsome appeal of higher justice and simplicity it carries. The operation of merchant vessels is a productive activity comparable to the production of any commodity or any service for an international market. The sale of the product "carrying service" to foreigners is, in effect, an export, exactly like the sale of American tobacco to foreign manufacturers; the purchase of shipping services from foreigners is an import, comparable to the import of

[25] Admiral Land's statement. See *supra*, note 6.

[26] The number of persons employed in the aircraft and allied industries is larger; however, employment opportunities in these industries are likely to continue for a large proportion of workers.

[27] *Supra*, p. 197.

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coffee. With the same justification as in the case of overseas shipping, it could be argued that the United States should buy one half of its tobacco supply abroad and produce one half of its coffee consumption at home.

Against this economic explanation the objection can be raised that overseas shipping must be classified among the strategic supplies, essential for the national defense and security of the United States. This is, of course, a valid objection, particularly since it has been made the declared policy of the United States in all Merchant Marine Acts. But the objective of national security may require a merchant fleet capable of carrying 20 or 80 or even 200 per cent of the weight of the imports and exports, so that the apparently "reasonable" fifty-fifty compromise becomes entirely meaningless. So far, no attempt has been made—at least not in a form open to the scrutiny of public opinion—to determine the volume of readily available American shipping which the military authorities would consider essential or adequate for the protection of the United States, or for the fulfillment of any eventual international obligations, like policing or the protection of international mandates.

If a compromise between the numerically undefined objectives of national security and the definitely limited possibilities of economic reality is to be sought, the economic and political consequences of such a policy must be considered in international as well as national terms. More specifically, if Admiral Land's recommendations, confessedly based on noneconomic grounds, should become the official mercantile policy of the United States, and the American shipping industry should set out to carry one half, or two thirds, of America's foreign trade plus a substantial volume of trade between foreign countries plus all the tramp freight it can gather in its Liberty bottoms — all under the threefold protective umbrella of subsidies—obviously the old maritime nations, particularly Great Britain, Norway and the Netherlands, would experience a curtailment of their former volume

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of shipping, unless they resorted to countermeasures (if they could afford the expense of subsidies).

The eventual economic effects of this development would disturb the international position of the countries concerned in terms of the availability of foreign exchange and thus impede, if not halt, the promised expansion of international economic intercourse. Besides, Great Britain can claim (and does claim) the indispensability of a large merchant marine for her national security with the same degree of justification as the United States. Great Britain can point to her dependence on overseas sources for the major proportion of supplies of foodstuffs and raw materials and to the eventual necessity of assisting in the protection of other parts of the Empire. Similar claims can be made and amply justified by the Netherlands and Norway. Thus, the frustration of the rehabilitation of the British, Dutch and Norwegian merchant fleets by American measures would of necessity lead to political discord among the present Allies, thereby offsetting partly or wholly the gains accruing to the United States in the form of increased national security.

It might even be argued that an efficient and efficiently operated British merchant marine enhances the security position of the United States in the event of any conceivable political combination, excepting, of course, the unlikely case of a British-American conflict. In the case of a full-fledged and rigid British-American alliance, the availability of a self-supporting British merchant marine may be preferable to the costly device of supporting a "safety" volume of American-flag vessels.

Table 2 clearly shows that the expected volume of the American post-war merchant marine must endanger the position of the merchant fleets of other nations. Accepting for the purpose of the argument the fifty-fifty claim of the American program, and assuming a volume of world trade at the 1929 level, 20 to 22 million gross tons of shipping would be left over. Even if we subtract from these figures an estimated 5 million tons for the inaugurated strategic reserve, another 5

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TABLE 2

AMERICAN SHIPPING PROSPECTS

Year	(1) Ocean Transportation of Commodities (in mill. tons)	(2) United States Share in %	(2) United States Share in mill. tons	(3) "Utilization"	(4) Proportion of U.S. Trade Carried in U.S. Vessels in %	(5) U.S. Foreign Trade Fleet (mill. gross tons)	(6) "Remainder" (mill. gross tons)
1921	161.6	25.7	83.1	3.85	51.3	11.1	
1927	275.3	18.4	100.8	5.58	40.5	7.3	
1928	277.3	19.5	108.0	6.37	40.9	6.9	
1929	297.3	18.5	110.3	6.35	39.8	6.9	
1932	207.4	12.4	51.4	4.30	35.5	5.1	
1933	209.4	14.3	60.0	4.19	32.9	4.7	
1937	253.9	19.3	98.2	6.43	25.1	3.8	
Post-war I	300	20	120	6	50	10	2 + 18
Post-war II	300	20	120	6.5	50	9.2	2.8 + 18
Post-war III	300	20	120	7	50	8.6	3.4 + 18
Post-war IV	360	25	180	6.5	50	13.8	16

Column (1): For source, see notes to Table 1.

Column (2): Weight of American water-borne exports and imports converted into metric tons. The tonnage figures pertain to weight of sea-borne exports plus weight of sea-borne imports; the percentage figures refer to one half of exports plus imports only because otherwise American foreign trade would appear twice in the world figures of Column (1).

Column (3): Computed by dividing cargo tons carried by American vessels (imports and exports) by the gross tonnage of the United States foreign trade merchant fleet, thus obtaining an index of cargo tons carried per gross ton of shipping.

Column (4): Share of the total weight of exports and imports carried in American vessels.

Column (6): Assuming a total tonnage of 30 million gross tons after the war. The remainder is divided between standard and Victory ships—the first figure—and Liberty ships.

Source of all United States data: Department of Commerce, *Foreign Trade and Navigation of the United States*, annual. *Statistical Abstract of the United States*, annual.

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million for scrapping, and 4 million for coastwise shipping, still 6 to 8 million tons—or more, if the total tonnage exceeds 30 millions—would be available for indirect trade, tramping, or for an increase in the transportation of American exports and imports. In order to employ 13.5 million gross tons—the figure mentioned by Admiral Land—in American foreign trade, it would take an expansion of world trade of 20 per cent over and above the 1929 volume, and a more than proportionate increase of the previous American share in it. It is not impossible that such an expansion of world trade will be accomplished in the not too distant future; but this would require, among other things, the revival and encouragement of the export industries of the European countries. The most important single commodity on the list of exports of Great Britain, the Netherlands and Norway is shipping services for foreigners.

The record of the maritime activities of these countries [28] conveys a strong indication that they are operated with comparative advantage, to use the technical language of trade theory. They have maintained—or gained—a large volume of shipping, without resort to operating subsidies [29] in the face of persistent excess tonnage and heavy subsidy receipts of their American, French and other competitors. All three countries have been, like the United States, in the position of international creditors. But, unlike the United States, they have used their dividend and interest receipts for the purchase of imports in excess of exports. Their national economies have become adjusted to a continuous unfavorable trade balance so that they have had to use—in addition to their receipts from investments abroad — the foreign exchanges which they earned as ocean carriers. Great Britain paid for 10 per cent of her imports with her shipping receipts which fluctuated between 65 and 140 million pounds (or 300 to 700

[28] There are many more countries which can claim a "vested" interest in the maintenance or rehabilitation of their merchant marines on economic grounds, e. g., Sweden and Greece. However, the examples of the countries mentioned suffice to support the argument.

[29] With one minor exception; see *supra*, p. 199.

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million dollars); the Netherlands covered 6 to 9 per cent of her imports by the sale of shipping services; Norway, with a relatively small volume of foreign investment, financed 20 to 40 per cent of her imports by shipping receipts.

The international position of the three countries has undoubtedly been weakened in the course of the war. By the end of 1942, Great Britain had disposed of one half of her foreign investment,[30] the income from which amounted regularly to twice the net shipping receipts. A large proportion of her export industries (e. g., the Lancashire cotton industry) has discontinued operations and has been converted for war production or destroyed and damaged by enemy action. The colonial investment of the Netherlands will not produce revenue for a considerable period after the end of the war. The Norwegian and Dutch economies will only gradually recover from the impact of enemy occupation and physical destruction by war action. Thus, the economic pressure to make use of the alternative means of securing foreign exchanges needed for the purchase of imports, the sale of shipping services to foreigners, will be greater after the war than ever before.[31]

Conversely, the United States has always been (with the exception of a short period after the last war) a large consumer of foreign shipping services. On the average, Americans have paid, for the ocean transportation of passengers and

[30] *Economist*, vol. 144, April 24, 1943.

[31] The argument for the maintenance of merchant fleets in Great Britain, the Netherlands and Norway (as well as countries in a similar position) could be presented also in the form of a discussion of the significance of the shipping and shipbuilding activities for the maintenance of a high level of employment. In "normal" times, the loss of a substantial portion of employment opportunities in shipping and shipbuilding would lead to an at least temporary decline in the volume of economic activity. However, predictions with respect to post-war employment opportunities would require a comprehensive investigation of the temporary and structural changes in the respective economies caused by the war, before even a tentative conclusion could be reached. This assertion holds true with respect to European maritime nations, as well as the United States. Any conclusion would still provide only an ambiguous answer to the basic problem, the economic position of which country would be more affected by a curtailment of employment in the merchant marine and allied services. *Cf.* p. 218 *infra*.

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goods, 110 million dollars per year in the interwar period. The United States has enjoyed, in that period, the favorable position of a buyer in a persistently oversupplied market and could take advantage of the ensuing low freight rates. At the same time, she has, in spite of her large volume of foreign investment, maintained a favorable balance of trade, averaging (between 1921 and 1938) more than 600 million dollars.

As indicated above, prior to 1939 all attempts to maintain a profitable merchant marine had failed. A study of the income statements of American shipping companies reveals in undeniable terms that American vessels can maintain themselves in an international competitive market only with substantial government subsidies, except in times of high prosperity when shipping space is scarce and freight rates are high.

It remains to be seen whether the American merchant marine will be able to gain (or maintain) any comparative advantage in the operation of ships, as distinguished from the simple advantage of a large supply of ships built at government expense. Charges for depreciation and obsolescence, or the accumulation of reserve funds for the replacement of hulls, are important determinants of the profitability of shipping services, if these charges are intended to provide sufficient means for the maintenance of a stock of efficient vessels. Given the volume of operating revenue, the operating expenses determine how large a gross margin of operation is left for capital charges. A comparison of the wage bills and all other costs of American and foreign shipping companies indicates that the difference in payments to crews is relatively smaller than the difference in other entries in the loss-side of income statements.[32] This interpretation is borne out by the relative size of operating and construction subsidies for American vessels.

It is therefore not impossible that American companies will operate ships at a profit, if the government is willing to charge

[32] The difference would be even smaller if allowance were made for the greater cost of more stringent safety requirements, and general working conditions, required by law, or union contracts, in the American merchant marine.

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off the costs of construction as a war expense and hand the ships over for a nominal charge to private industry. But the convincing experience of the twenties may then repeat itself: the companies will be unable to accumulate sufficient funds for replacement, and after one or two decades the volume of American registry may have shrunk again to one third of its initial size. It is the realization of this distinct possibility which causes the American shipping interests to ask for a continuous and consistent shipping policy, which would prevent the going to waste of 11 billion dollars' worth of shipping [33] in a slow process of gradual decay.

The question then arises: how much would it cost to prevent such a development? Under the modest original program of the Maritime Commission, construction and operating subsidies amounted to 125 million dollars for the first four years. The subsidized fleet, however, included only a small proportion of the total American foreign trade fleet. There is no reason to assume that previously nonsubsidized industrial carrier and tanker fleets would expand proportionately with the inaugurated expansion to 13.5 million gross tons so that the total tonnage which would have to rely on subsidies may comprise eight or ten times the volume of the tonnage subsidized before the war. On this basis operating subsidy payments would reach 400 to 500 million dollars per year. It is impossible to indicate how much it would cost to keep an additional 6 or 8 million tons of indirect lines and tramp ships in operation.

Possible Solutions

The viewpoints of the nations concerned, as presented above, are obviously diametrically opposed, and, in their present formulation, incompatible. It can be assumed, though, that all parties are anxious to achieve a mutually satisfactory solution. What, then, are the bases for an understanding?

Two solutions suggest themselves. One would be the satisfaction of the aims of both sides at the expense of the defeated

[33] The estimated cost of the war shipbuilding program until the end of 1944. *Business Week*, March 6, 1943, p. 28.

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Axis Powers. By the end of the war, Italy, Germany and Japan may possess about six million gross tons of ocean-going vessels. England and her maritime neighbors are likely to ask for the surrender of the merchant fleets, together with the certain surrender of the enemy navies. They probably expect the United States to renounce her share of the booty because the United States will have more ships on hand than she will be able to use. This would mean that the most acute shortage of ocean tonnage in Great Britain, Norway, etc., would be relieved until more ships could be produced.

A scrutiny of this action reveals its dubious long-run value. A distinction must be drawn between the temporary effects of the transfer and the additional provisions necessary for the maintenance of the newly created situation. For if the United States follows the proposal of the Merchant Marine Institute [34] and takes over the trade routes formerly served by Germany, Japan and Italy—or if other Allied nations should resort to these routes because their former domains have been invaded by American shipping—the final peace settlement must contain provisions denying to the defeated Powers the right to engage in international ocean transportation. Neglecting the technical problem of enforcing such provisions, it must be realized that peace conditions of this sort would have the same harmful effects in the enemy countries as in the economies of the Allied nations. The prohibition of international shipping would deprive the countries of one of the most important sources of revenue for international payments—including eventual reparations transfers—and weaken the prospects for a reasonably speedy reconstruction of their economies.

The second solution, it seems, would have to be based on a fourfold compromise of the economic and strategic desires of both the United States and Great Britain. England can be persuaded to recognize that the claim of the United States to a, say, ten-million-ton merchant marine in foreign trade is amply justified on strategic grounds, if, in return, the remainder of the American tonnage is used for the reconstruction

[34] See *supra*, p. 197.

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of the merchant fleets of Great Britain and her maritime Allies. America's interests as a buyer of shipping services would be served best if Great Britain would assume—in return for generous conditions of transfer—the responsibility for maintaining freight rates at a low level and efficient services on all routes which are essential for American foreign trade. The American position could be strengthened by the gradual accumulation of the contemplated "strategic reserve", the volume of which could be increased or decreased whenever the requirements of trade contract or expand.

The transfer of a large volume of merchant tonnage—perhaps without the change of ownership under long-term charter agreements—would involve primarily the less efficient Victory ships and perhaps also the improved Liberty ships. This would be only a temporary solution because all maritime nations would be anxious to secure the specialized and generally more efficient vessels for their services. In this respect, an understanding could be reached whereby the United States would be enabled to maintain a relatively large amount of shipbuilding for the replacement of obsolete tonnage. The operation of the construction subsidy arrangements of the Maritime Commission has shown that the costs of construction of vessels have been higher in the United States than in most shipbuilding countries. It is conceivable, though, that the American disadvantage has diminished as the result of the experience acquired during the war. The period of 1941 to 1942 has shown that the real bottleneck in American military operations was the lack of shipbuilding facilities so that a decided strategic advantage would accrue to the United States if the productive facilities for shipbuilding, both physical and human, could be maintained on a high level of activity. This could be assured, without discriminatory practices, if construction subsidies were extended to foreign and American shipping interests alike, thereby following the British precedent of the interwar period.

Two questions still remain to be answered. One is the fundamental issue of operating subsidies to American com-

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panies which are, of course, highly objectionable from the British point of view. The outlined solution would automatically provide an answer: the American merchant marine would be, for the immediate future at least, of superior quality compared with the composition of other merchant fleets so that the operation of American vessels may remain lucrative even if subsidies are curtailed or abolished. Furthermore, if construction subsidies are continued—perhaps at different rates for American and foreign vessels—the necessity of accumulating large funds for replacement would be eliminated so that American lines could afford to meet higher costs of operation.

A second objection against the outlined understanding may be raised on the argument that a small American merchant marine would result in a shortage of skilled personnel if and when the necessity for the use of the reserve fleet arises. This deficiency could be remedied by appropriate provisions of the selective service legislation after the war which would allow the substitution of, say, three years of service in the merchant marine for two years in the army or navy. In this fashion, an ample reserve of skilled seamen could be accumulated.

This rudimentary outline would have to be supplemented by numerous provisions of subordinate importance; also, major variations can be introduced without destroying the scheme as a whole. For example, the accumulation of a strategic reserve could be made a joint British-American or a United Nations venture. It is not deemed necessary to create a special international administrative body for the execution of the scheme. In all countries concerned, the shipping industries are well organized in conferences and trade associations, and in close contact with their government agencies. The purely administrative agenda could be entrusted to the private bodies while matters of policy would have to be decided by an international public authority. If needed, the Combined Shipping Adjustment Board could assume permanent functions.

The proposed solution is not to be interpreted as a deal of the two Great Powers at the expense of the smaller maritime nations. Their absolute share in world shipping remains

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assured by the assumption of a large volume of world trade, comparable to or larger than that in the most prosperous years of the interwar period.

The factual statements which precede this outlined solution lend themselves also to an alternative conclusion. From an economic point of view, it may appear advisable to eliminate building subsidies in the United States and to permit American operators to buy their vessels abroad. This would be in line with measures to help American operators reach the position where they can compete with foreign shipping. The purchase of vessels abroad may be compensation to Great Britain and some of the other countries for the enlarged American merchant marine.

This more "economical" solution is beset, it appears, by two serious weaknesses. At the end of the war, only the United States will employ a substantially greater labor force in ship construction than in merchant shipping; in all other countries employment in the merchant marine is, or was before the war, much larger than in ship construction. An expansion of shipbuilding activities in the European countries would absorb only a fraction of the labor force of the merchant marine, unless the rate of ship construction assumes excessive proportions, so that the compensation in employment opportunities would be inadequate. If the additional employment in preceding "stages of production", i. e., steel-plate production, boiler making, etc., is included in the consideration, the weight of the argument may be reversed. However, it is reasonable to assume that the reconstruction activities in the European countries, the rehabilitation of manufacturing industries and housing facilities, will provide "capacity" employment in the heavy industries for a considerable period. Moreover, the low cost of ship construction in Great Britain was, at least in part, due to the extensive use of German steel so that the secondary increase in employment would not necessarily be located in the country whose alternative employment opportunities would decline.

The second disadvantage would be the decline of the strategically important shipbuilding industry in the United States

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which presented, as indicated above, the most important bottleneck in the wartime shipping problem.

The situation could be partly relieved by the "hoarding" of shipways in the United States, i. e., the prevention of their decay through adequate maintenance, presumably at government expense. However, the hoarding of technically skilled and specialized manpower is a practical impossibility, particularly if repair work would also be performed in foreign shipyards.

Thus, the first solution seems preferable, primarily on account of its more satisfactory security provisions, although it is more expensive, both in terms of subsidy funds and a less economical international division of labor.

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WHAT ABOUT REPARATIONS THIS TIME?

WILL reparations be demanded of the defeated Powers after this war? The answer to this important question, in the writer's opinion, is an unequivocal "Yes".

There is much evidence to support such a view. Certain of the United Nations, notably Russia, have already expressed a determination to seek amends for the destruction and pillaging which they have suffered. Secondly, the published releases of the Atlantic City Relief Conference indicate a widespread opinion that retribution will be sought for material losses. Thirdly, the declaration of the United Nations on the subject of the restitution of property, issued January 5, 1943, leads logically to a demand for reparations. This declaration states that the United Nations "reserve all their rights to declare invalid" any transfer of property in enemy occupied or controlled territories. Pursuant to this statement steps have been taken which leave no possible or probable shadow of a doubt but that the restoration of seized property is to be sought.

Property which can be easily and definitely identified and which has not lost any of its intrinsic value, like Jan van Eyck's "Adoration of the Lamb", can be returned intact. But much of what has been seized is not identifiable, nor has it retained its original worth. Heifers, for instance, which were three years old when taken in 1940, are not what they used to be. Confiscated raw materials have been processed; seized machinery worn out; and consumers' goods used up. Hence the principle of the restitution of property leads immediately to the doctrine of "restitution in equivalents", as it did after World War I. And "restitution in equivalents" is tantamount to reparations.

If reparations are to be collected, the problems connected therewith, with which we became so familiar in the twenties, have to be faced again. These problems are fundamentally:

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(1) the form in which payments are to be made; (2) the determination of amounts to be collected; (3) the willingness of the claimant Powers to receive goods; (4) the apportionment of reparations among the recipients; (5) the time period over which payments are to be made; and (6) the "capacity of the defeated powers to pay".

What is needed is a plan which will meet each of these issues. It is needed now so that agreements can be reached before the peace conference, when the entire problem may become a political football, as it did in 1919.

Reparations must of necessity be paid in goods and services, because after the war the defeated Powers will not have foreign assets to surrender to the victorious nations nor any appreciable amount of gold for immediate transfer. Although this point is clear, the question remains whether these goods and services should be delivered directly to the claimants of reparations (payments in kind), or whether they should be sold to foreign Powers through commercial channels, money collected for them, this money obtained by the treasuries of the defeated Powers through taxation and borrowing, and then these sums transferred to the victors (payments in money). Direct payments in kind are infinitely more desirable than payments in money, for two main reasons: first, if payments are to be in money, the defeated Powers will be faced with the great difficulty, if not the impossibility, of selling abroad their products and services in large enough quantities to obtain an excess of exports over imports. Their goods will encounter tariffs, embargoes, prohibitions and competition; and unless these can be overcome so successfully that the paying countries have a "favorable balance of trade", these states will not have foreign exchange with which to meet the required installments. This situation leads to the second argument against money payments, the transfer problem. The payer must change its own currency or what foreign exchange it holds into the currencies of the receiving nations. If large sums are involved, this process is almost certain to upset international exchange rates and, in particular, to reduce the value of the payer's currency. If this

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happens, payments become more burdensome; inflation may result; and reparations moratoria may become necessary.

Direct deliveries in kind avoid the transfer problem altogether, but they do not settle the question of the claimants' willingness to receive. At first blush the unwillingness of countries demanding reparations to take what the payer has to offer seems anomalous. Yet it is a real problem, especially for capitalist countries. After World War I, France turned down a proposal for German materials and labor in the reconstruction of devastated areas because the French wanted the "market" for their own goods and their own labor. Even deliveries of such things as coal and ships proved to have their drawbacks. Shipbuilders in Allied countries looked enviously at the activity and development of German yards, while their own ways remained idle; and British coal producers opposed German deliveries to their former customers in France and Italy so strongly that schedules for payments in coal were cut down in the Young Plan and were to cease entirely after ten years.[1]

A capitalist economy needs activity to provide opportunities for remunerative investments and jobs for labor, and hence it will be willing to receive deliveries in kind primarily when goods and services are in short supply. Among capitalist countries willingness to receive will be greatest immediately after the cessation of hostilities, when shortages of all kinds are general, but it will continue over a longer period for those products, especially raw materials or semi-processed goods, which are not produced nationally and which are normally imported. A communist economy can, on the other hand, receive an almost unlimited amount of goods or services (the latter in the form of labor) on reparations account, for if the things normally produced at home are obtained gratis from abroad, the labor force may be turned to tasks of less economic urgency. Only in the case that the communist economy comes to rely upon reparations deliveries to such an extent that its total pro-

[1] In this connection it should be noted that under the Dawes and Young Plans about 66 per cent of reparation payments were deliveries in kind by direct arrangement or under reparation recovery acts, while less than 33 per cent were received in money involving transfers.

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ductive capacity is weakened would the problem of willingness to receive arise.

From this argument it follows that the example of a communist economy may encourage capitalist states to demand more in the way of reparations than they otherwise would. Furthermore, the above discussion leads to one of the essential parts of the proposed reparations plan—a part designed to deal specifically with willingness to accept reparations. Each receiving country should indicate in advance of payment its willingness to receive specified goods in definite amounts, and it should guarantee that these goods will be consumed or pass through the first stages of manufacture within its own borders. Such an arrangement would allow each nation to dovetail its economic planning with reparations deliveries, and it would prevent the resale of materials obtained on reparations account in those markets usually supplied by one of the victorious Powers. The adoption of this proposal would necessitate the creation of an international commission to handle claims and to control deliveries. Such a body might be called an International Reconstruction Commission. It should coördinate its policies with those of international relief and rehabilitation agencies, with international reconstruction loan organizations, and in so far as necessary with currency stabilization programs.

If reparations are to be direct deliveries in kind and services, and if willingness to receive is to be dealt with by the recipients' prior agreement to take certain goods for national consumption, then other problems follow: how to determine the amount of the bill, what the losers are to pay, and how to apportion the deliveries among the claimants. Before answers are offered to these questions, it should be realized that an exact bill of war costs and of war damages cannot be made. It is impossible to evaluate the worth of human life, the monetary cost of suffering, damages from undernourishment, or a thousand and one other items. After World War I attempts were made to include in the bill "losses of business due to war," fantastic prices for the destruction of barnyard fences, and other equally unreasonable claims. Even if a bill could be arrived at, it would be so great in terms of money that the

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defeated Powers could scarcely pay it from normal commercial transactions in any reasonable length of time. Already, according to unofficial Russian estimates of October 1943, claims against Germany and her satellites total approximately $50,000,000,000.

The preparation of a reparations bill presents so many difficulties that it might better be forgotten. In its place could be substituted the following procedure, which would deal with amounts of reparations, the length of time during which they are to be paid, and the apportionment of reparations among the victorious states. An index of physical production for each recipient should be prepared, based on physical production during certain pre-war years, let us assume, for the period 1926-1936. These indices should be simple, including those goods the amount of production of which can be readily controlled. They should be accompanied by ratios of volume of physical production for each country so that the large producing country would be justly treated in comparison with the small producer. Reparations could then be declared available for delivery and apportionment among the claimants in inverse proportion to the height of the indices and with allowance for the comparative volumes of physical production. For purposes of illustration, let us assume that two years after the war Belgium's index of physical production is at 70 and France's is also at 70, but that France normally produces ten times the amount of goods produced by Belgium. In this case France would be allowed to receive from the payers ten times what Belgium receives. If, however, Belgium's index was at 35, while France's was at 70, France would be granted deliveries only five times those permitted to Belgium. When the index of physical production in each claimant nation reaches 100, reparations deliveries would cease. After World War I this stage was attained by nearly all countries within seven years, and it is reasonable to expect that the same point may be gained within ten years after World War II. In any case ten years should be fixed as the limit for payments.

Certain objections can be raised to this vital part of the present plan. The preparation of the indices and the honest com-

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pilation of data upon which the indices are to be based will be exceedingly difficult. This point is granted, but in rebuttal it may be said that the making of the indices and the control of them under the supervision of the International Reconstruction Commission would be much simpler than preparing a reparations bill. It may be objected also that this proposal would tend to penalize the country which energetically hastened or borrowed abroad to accelerate its reconstruction. This difficulty is only a partial one, for the nation which does not work earnestly for its reconstruction will be the loser. The foreign borrowing aspect of the question could be taken care of by allowing the adjustment of the index to permit the receipt of larger reparation payments by those countries which have borrowed abroad. Finally, it may be argued that the index of physical production is influenced by many factors, such as those of the business cycle, and not alone by war, so that some nations which have not suffered destruction might get an inordinate amount of reparations. In this connection, it is believed that a country where physical production is low because of depression will not be willing to receive reparations on account of the deflationary effect which they would have. Finally, it may be contended that this plan does not punish our enemies sufficiently. On this issue the writer holds that punitive economic measures should be definitely separated from reparation payments. Any punishment of an economic kind which is meted out should be dictated largely by reasons of security. It should aim to prevent our enemies from becoming able to start another holocaust.

Many are the arguments for basing reparations deliveries upon an index of pre-war economic activity. In the first place, such a step would be designed to restore the productive capacity of the claimants to their respective pre-war positions. Fundamentally that is what reparations are supposed to do. Secondly, such a scheme determines the length of time over which payments are to be made and limits it to a period in which the claimants are most likely to stick together to enforce their demands. Thirdly, it calls for reparations in a period when willingness to receive will presumably be the greatest. Finally,

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this proposal provides means for apportioning reparations among the claimant countries. Certainly international agreement on the indices and upon the ratios would be as easy to obtain as agreement upon a reparations bill and upon a schedule of apportionment.

One serious problem remains. That is how to determine the capacity of the defeated Powers to pay. This is a vital issue. It could be handled on the basis of the pre-war indices of the amount of consumer goods available for consumption in the paying countries. If so much labor were taken by the claimants, if so much labor were expended on the production of goods for reparations, or if such large deliveries of goods were demanded on reparations account that the amount of consumer goods available for consumption in the defeated nations fell below 75 of the index, or 60 or 50, whichever was determined as the most desirable, reparations demands should be reduced by the International Reconstruction Commission.

In summary then, it is maintained:

(1) That reparations should be direct deliveries in kind or services (including labor);
(2) That the recipients should express prior to deliveries a willingness to receive and to consume nationally what they obtain;
(3) That deliveries should be relative to the index of physical production in the recipient states and to the comparative volume of physical production in these same countries;
(4) That reparations should cease when these indices have reached 100 and in any case at the end of ten years;
(5) That punitive economic measures for the sake of security should be separated from reparations; and
(6) That the "cacapity to pay" should be based on indices of consumer goods available for consumption within the defeated nations.

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THE REGAL REPUBLIC OF JOHN ADAMS

THE establishment of the United States as an independent nation is intimately associated with a small group of men of first rate intellect and character. Like any human group, they show variations not only of political emphasis but also of intellectual temper. It may be convenient to think of some of the Founding Fathers as Jeffersonian "democrats" and others as Hamiltonian "aristocrats", but it is just as significant that, while some were statesmen of the day, others were concerned with more enduring problems which the American Revolution exemplified but hardly exhausted. That is why political philosophers of our own time, like Charles A. Beard, who are concerned with the same problems turn instinctively to John Adams.

Adams stands out not only as a president, politician and statesman, but as a political philosopher of authentic power and range. It is hard to think of anyone who has analyzed with equal directness and thoroughness the essential principles of man in society. Certainly few systematic treatises in the field approach the level of those of Adams in objectivity and the determination to dig to the root of problems. To this intellectual quality, he added a political one. He has contributed the best statement of the "conservative" position.

In approaching Adams, the reader becomes aware of a certain duality running throughout all his reflections. There is a hard core of judgment regarding man's nature and the destiny of society. He sees material forces as dominant in actual life and as summing up all other forces and tendencies of man —the ethical and spiritual as well as the material. This basic attitude becomes explicit and articulate at the zenith of his career, but interlaced in that long and distinguished career are the vacillations, adaptations and variations characteristic of the philosopher who is also a man of affairs. Different phases of his own life as well as that of his country are reflected in his

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radical propaganda in the colonial struggle with the mother country, in his attempt to consolidate the new government, in his defense of that government against "subversive democracy", and, finally, in his apology for it against what to him were shortsighted reactionaries and naïve democrats.

Adams was born in 1735, of orthodox Puritan parents in Massachusetts. The family proudly traced its descent from the founding of the colony, but it had little wealth. Adams' father was an independent artisan, a shoemaker, but he determined that his son should go to Harvard to prepare for the ministry.

He entered Harvard in 1751 and, according to the official classification of students by "dignity of birth, or . . . rank of parents", he was fourteenth in a class of twenty-four. He was properly inculcated in the classics, Calvinist theology and the truths laid down by Locke, the authority in philosophy and social sciences. Though deeply religious and at all times a believer in the public support of the ministry, he felt that the heated theological disputes of the day were not for him. So after graduating he prepared for the law on the ground that the law was consistent with the bonds of religion and morality.[1]

Adams became not only a successful lawyer, but one of the ablest students of jurisprudence in a colony known for its scholars in the law. He soon obtained minor public offices, and his practice steadily increased as wealthy merchants came to appreciate his talents. He found that his "obstinate industry" not only in his legal practice, but in extending loans on notes and mortgages and in borrowing for his own real estate investments, was resulting in the accumulation of a comfortable capital.

Adams' background, temperament, training fitted him not only for his business but also for his rôle of pamphleteer, essayist and political leader. He soon became active in the struggle

[1] To Charles Cushing, April 1756, *The Works of John Adams*, edited by Charles Francis Adams (Boston, 1850-1856), I, 32.

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between the mother country and the colonies. The argument of his writings during the Stamp Act controversy of 1765, an argument which he repeated with slight change through subsequent phases of the struggle, was for political home rule and economic freedom. Rulers after all, he argued, are merely agents. If they misuse their authority, the people may select better "attorneys" to carry out their will. The ordinary check on the rulers is the jury trial and the local colonial assembly. It was natural therefore for Adams to reject the jurisdiction of crown-appointed admiralty courts to try cases of the infringements of trade acts, and the enactment of these acts or any act of taxation, in distant London, as contrary to fundamental rights. These demands for colonial autonomy and economic liberty were couched during this tense period not only by Adams but also by more conservative revolutionaries—indeed by all revolutionaries—in the exalted language of democracy. The British government became a "foreign" ruler whose officers fattened on the oppressions of the poor and incidentally diminished the income of all other colonials. The Stamp Act in particular was sheer extortion of the least privileged, and, in addition, it embarrassed business, threatening to bring on economic convulsions by draining the country of its scanty cash.

In Adams' philosophy these political and economic arguments flowed from a grand postulate of human nature. It is that men love power and domination. This passion, properly restrained, is useful, the source of all good; unrestrained, it leads to tyranny. Adams saw this principle exemplified in the most remote origins of the Massachusetts colony. The unchecked love of power gave rise to the tyranny of the canon and feudal law, which deprived men of—in Locke's phrase—"the right of life, liberty and property."

The Reformation, the struggle against Charles I, and the peopling of the American colonies were related attempts to remove the corruptions of this passion. The leaders of the migration to New England appealed to the political wisdom of antiquity. They approved of monarchy and a publicly sup-

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ported clergy, but they also saw the need of "popular" power as a balance to the monarch and the priest; for otherwise the government must degenerate into one of fraud, violence and usurpation. But once again king and parliament were overriding the "fundamental rights" of the "people" with tax and trade legislation and thereby were reviving the inequities and servilities of feudal and canon law.[2]

As the dispute over local autonomy developed into a struggle for national independence, Adams and his comrades found opposition from men of solid wealth who had little sympathy for revolution. The "patricians", especially the political leaders in the South and Pennsylvania, Adams believed, were lukewarm to independence because of their wealth, not because of any idealistic loyalism. But immediately after the Declaration of Independence, he also felt that the states should not drop these men from leadership, for their wealth and connections were essential cement for the Union.[3]

Fomenting popular revolutions was one thing, but making societies was another. Adams, like any respectable colonial of his generation, thought of "people" in two rather distinct senses—the spiritual and the civil. In the former, every human being is, in the sight of God, equally worthy. And it is this view which at one stroke excluded slavery, oppression, autocracy, arbitrary exactions, and every form of inequality. But in a practical civil society, account has to be taken not only of man's spiritual rights, but of his actual potentialities and inadequacies. Driven by the "passion for superiority", man seeks to distinguish himself above his fellows. Failures become envious of their betters. How then organize a civil society which will on the one hand guarantee considerable spiritual freedom, and on the other insure effective resistance to the dangers of tyrannical ambition and democratic anarchy? A society, to be stable, must be based on property, which breeds

[2] "A Dissertation on the Canon and Feudal Law", 1765, "Instructions of the Town of Braintree to Their Representative", 1765, "The Earl of Clarendon to William Pym", 1766, *Works*, III, 448, 466, 481.

[3] To Mrs. Adams, April 14, July 10, 1776, in *Letters of John Adams Addressed to His Wife*, edited by Charles Francis Adams (Boston, 1841), I, 95, 135-136.

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responsibility. But property should be relatively widespread in order to prevent too narrow an aristocracy. The "people" in civil society therefore does not include everyone but only those, preferably as many as possible, who can be trusted with political and economic rights. This, Adams felt, is exemplified in the freehold franchise of colonial Massachusetts. Now that the people have declared themselves free of "foreign" control and monarchy, they must organize a society based on property holders. If the "people" do not restrain themselves, the wise and honest may be driven to reintroduce monarchy, for even despotism is preferable to the factionalism of corrupted popular government.[4]

Right or wrong, there was a certain mechanical quality in Adams' conception of a proper order, for he assumed that, given a sensible structure of government, not only political but also economic problems would automatically take care of themselves. But the economic problems which he was forced to face, as a member of the Continental Congress and as a diplomat, were peculiarly obstinate. With his customary candor, he confessed, in his letters, his ignorance of "coin and commerce". He blamed his narrow New England education for not giving him that comprehensive knowledge, including the knowledge of the commerce of the world, which apparently every British statesman had.

His only armor in this fight was the time-honored notion of national prosperity as dependent on the increase of commerce and money. But would these concepts meet the drastic necessities of war? Adams' puzzlement took the form of self cross-examination. Should we confine our trade with other nations "to our own bottoms, which alone can lay a foundation for great wealth and naval power?" If America eliminates commerce, must not the mass of unemployed become either "a large discontented party" or too large a burden for the rest of

[4] To James Sullivan, May 26, 1776, *Works*, IX, 375-377; to Mrs. Adams, May 22, 1776, *Letters of John Adams*, I, 229; to Mrs. Adams, July 3, 1776, *Works*, IX, 418; to Joseph Hawley, Aug. 25, 1776, *ibid.*, p. 435.

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the country to support? He did not question that, as far as necessaries and conveniences are concerned, the nation could dispense with foreign trade and be happier, but the people do not "have virtue enough to be mere husbandmen, mechanics and soldiers" for any length of time. "Is their temperance, fortitude, perseverance to induce such a mortification of their appetites, passions, and fancies" as the deprivation of elegancies entails? Finally are not all interests, including the landed, so connected with the mercantile interest as "to produce general impatience under such severe restrictions?" [5]

As the war proceeded and confusion increased, Adams resorted to the old reliable: unrestrained "freedom of trade". He was against all shackles. "Let the spirit of the people have its own way, and it will do something." Massachusetts attempted to enforce embargoes and stop privateers in order to restrain prices and obtain soldiers. But Adams denounced these measures as ruinous to the war effort. If the privateers had "fair play", that is, free trade, the state would have obtained many prizes and hundreds of seamen. South Carolina, with a superior spirit of enterprise in trade, gets plenty of goods though at dear prices, and can export its staples; for vessels, even from the enemy's colonies, find it profitable to come there. With the other states following a similar policy, "trade will soon be brisk in every state except Massachusetts." [6]

In the same spirit Adams emphatically disapproved of price fixing from the start. It can offer only a partial, temporary remedy, for "after a time the evils will break out with greater violence. The waters will flow with greater rapidity for having been dammed up for a time." Speaking of the Massachusetts price-fixing act, he declared that if it were not quickly repealed, civil war in the state would follow. "Rascally upstarts in trade" have made great fortunes by monopoly and oppression but this evil can only be cured by people not buying their goods. [7]

[5] To James Warren, July 23, Oct. 7, Oct. 19, Oct. 20, 1775, in *Warren-Adams Letters* (Boston, 1917), I, 88, 128, 146, 156.

[6] To James Warren, April 6, 1777, in *Warren-Adams Letters*, I, 312-313.

[7] To Mrs. Adams, Feb. 7, Sept. 8, 1777, in *Letters of John Adams*, I, 183, II, 6.

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More perplexing than trade questions was the problem of government finance and credit. Like everyone else in the Congress, Adams approved of the first issue of the famous "continentals". However, after two years of war and extended issues, Adams was blaming all the evils of high prices, speculation and extortion on the depreciating currency. It will destroy morals, he said, for many are forced to think extortion and injustice are necessary for their own security. The basic remedy is now loans, foreign and domestic.[8] By 1779 Adams, while trying to raise loans in Europe, in desperation called for a devaluation of the "vile paper" and recourse to taxation, for the depreciating paper, being taken as a sign of losing the war, heartened the Tories and disheartened the Whigs more than it ought.

The remedy suddenly seemed "simple and obvious". Taxation alone must provide all future government revenues. Unfortunately people were still given to extravagance, except for a few wise and virtuous who struggled against the torrent of follies and frivolities and the mercantile speculators, gamblers and stock jobbers.[9]

Congress sharply devalued the paper in 1780, but our French ally protested on behalf of holders of the paper that the action violated the sacredness of contract. Adams informed the French authorities that on the contrary the devaluation accorded with sound economics and morals. By straining the quantity theory of money he "proved" that the possessors got paid the real worth of their money. A certain sum of money was necessary to circulate a nation's business. "The precise sum is discoverable by calculation and reducible to certainty." The issue of more paper decreased the real worth of the money; that is, its value in the market. Besides the receiver of paper took it for goods and services not at its nominal value but at its market value. Consequently the devaluation act was not a breach of faith, but an attempt to restore a stable medium.[10]

[8] To James Warren, Oct. 29, 1777, in *Warren-Adams Letters*, I, 377.

[9] To James Warren, Feb. 25, 1779, in *Warren-Adams Letters*, II, 90-91; to Mercy Warren [Sept. 1779?], *ibid.*, p. 120.

[10] To Count de Vergennes, June 22, 1780, *Works*, VII, 193-197.

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But if America's allies—the French and Dutch governments —as well as European individuals should grant loans to the American government, the economic problem would be solved, especially if at the same time they would grant favorable commercial treaties. He informed the Dutch that a loan would give stability to money, invigorate army enlistments, accelerate privateering, and expand commerce with foreign nations, especially the Dutch. As for American post-war competition, the lending nations need not fear that an independent United States would become a great manufacturing nation, for America's interest would be for centuries centered on agriculture. The true profit of America, Adams argued, in the spirit of Physiocratic doctrine, must come from the rise in land values. "A day's work, worth two shillings upon wild land, not only produced two shillings in the crop, but made the land worth two shillings more. Whereas a day's work of the same price, applied to manufactures produced only the two shillings." But lacking loans, necessity forced the United States to follow the less profitable route of manufactures.

The country's resources were more than adequate to meet the war costs eventually. Heavier taxes could not be imposed at first because of obstructions to trade. But the ability to pay taxes was increasing with the increase of population, cultivated lands, commerce and successful privateering. In fact, the retrenchment of the prevalent luxury alone would enable the country to prosecute the war. But at present, import duties, aside from reducing the market for European goods, would be dangerous to liberty.

At the same time America was acquiring considerable specie to meet loans and further increase trade. Everywhere the English army goes it must leave specie behind for expenses and clandestine trade. Did not the British general, Howe, suspect that General Washington connived at the American people supplying British-held Philadelphia in order to obtain for his country large sums of money, and thus bring England to defeat? The additions of a French force helping the American fleet and army will increase the supply. The more troops and

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ships France and England send, the more resources America will have.[11]

For all its inadequacies and inconsistencies this argument was common coinage not only in the contemporary world of commerce but also in the world of statesmanship. Fortunately for the United States, the enemy operated on the same pecuniary logic.

The cessation of hostilities intensified the problem of debts and taxes. Any attempt to tamper with the American public debt Adams viewed as undermining justice. The demand for its devaluation seemed to him a sign of corruption, destructive of peace, order, decency and industry. Creditors have an inalienable right to the full or "real value" by the fundamental principles of society.[12]

The rumbling of discontent in Massachusetts early in 1786 only gradually shocked Adams, then minister to England, into a realization that the people were still grossly ignorant of sound economics. His merchant friend and a leading political figure of Massachusetts, James Warren, wrote him that the Algerine pirates in the Mediterranean, the lack of markets for whale oil, the steady drain of specie to pay for English baubles had ruined commerce and trade, and consequently people could not pay debts or taxes. The upshot of Warren's complaint was that government must step in to help the harried business man through "relief" legislation. This struck Adams as showing a lack of faith in individual enterprise. Wherever a lamp is burned, the oil could find markets "if our merchants will take pains by samples and experiments" to show its superior qualities. As for the Algerine piracies, he was surprised that the merchants had not calculated that a loan to repress them would cost only £18,000 a year in interest, while the piracies cost the country £1,000,000 a year. If Congress be given the power, heretofore refused, to levy a duty on exports and imports to pay the interest, the loan would be quickly forthcoming.

Everything must be done to restore public faith and confidence, for otherwise business would stagnate. This meant that

[11] To Calkoen, Oct. 26, 1780, *Works*, VII, 294-298, 299-301, 311.
[12] To Robert Morris, July 11, 1783, *Works*, VIII, 92-93.

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the public debt must be "funded"—that is, a definite source of revenue for paying the interest and principal provided—the interest paid and all fear of paper knavery annihilated.[13] The "funding" will end the enormously gainful speculation in public paper, and the capital released from speculation will produce a circulation that will relieve the commercial distress. Adams of course was hoping that the matter would right itself in the natural course of events. But he soon heard from Warren, who was witnessing the beginnings of Shays' Rebellion, that affairs in Massachusetts were getting worse and bordering on civil war. Now instead of castigating the leaders for timidity in business, Adams charged them with supineness in politics.[14] He had noticed, he said, before leaving America in 1779 that there was need for vigorous leadership, for the "people" were ever on the watch to spread economic heresies. The county conventions with their resolutions calling for "relief" were evidence that the people "were running wild."

This economic situation, Adams said, had led him to prepare a political disquisition against the proponents of extreme "democracy", whether in America or Europe.[15] His treatise, the famous *A Defence of the Constitutions of Government of the United States of America,* must be understood in the context of his rôle as minister to England. It was his task, as that of any envoy, to obtain favorable commercial arrangements from England and to encourage foreign investments and migration. But, on one hand, many respectable foreigners viewed the "democracy" of America as unsafe for property while others felt that the state constitutions were not as free as they should be. On the other hand, Adams was forced to defend them as making for security of liberty and property, and at the same time, true to his bent, he was forced to admonish the states, that they must perfect a "balance" against the

[13] To James Warren, July 4, 1786, *Warren-Adams Letters,* II, 276-277. To Jefferson, Aug. 25, 1787, *Works,* VIII, 447.

[14] Warren to Adams, Oct. 22, 1786, in *Warren-Adams Letters,* II, 278.

[15] To James Warren, Jan. 9, 1787, *Warren-Adams Letters,* II, 280-281.

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"popular" power in order to provide that security which was the essence of liberty.

The principles of government, he declared in the treatise, could only be known on the basis of a knowledge of the history of mankind. Adams' comprehensive selected survey of history revealed that the English constitution was the only scientific government.

But the peculiar conditions in America had to be taken into account. Since the American people are primarily agricultural and scattered over an extensive area, they are not subject to "those contagions of madness and folly" characteristic of densely populated countries with their "people in daily fear of perishing of want." Thus at present, he wrote, the people can live and increase under almost any form of government, even without any government. But foundations must be laid to fit the near future when the country will have 100,000,000 people, when the present states will be rich, powerful and luxurious, and the lands will be held in few hands, and the mass will be propertyless.

But in America, as elsewhere, men love equality when they look up to higher ranks, and they love distinction when they look downward. This tendency to "superiority" must be supported by a hierarchy of officers and ranks.

The Americans have indeed avoided a legal nobility, but no well-ordered community has existed for long without one. Society will always be divided into plebeians, the "simplemen" obscure, ignorant, mean and poor, and the patricians, the rich, and well-born, the gentlemen who always administer government. In America as elsewhere wealth and good birth exercise dominance *de facto*. The poor are dependent on the rich for their subsistence; many of smaller fortunes will be in debt or under obligations to the wealthy. Still others, such as men of letters and the learned professions, will from acquaintance, "conversation" and expectation be connected with them. Finally, among the wisest people, there is a degree of admiration, subtracted from all dependence, "which accompanies splendid wealth, insures . . . respect, and bestows . . . influence."

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A few, having all the advantages of birth and fortune, constitute the "natural aristocracy", the greatest collection of virtue and abilities in a free government. This is, again, of course, the theory of natural dominion. It found its socio-psychological aspect in Adams' theory of luxury. There were two traditional objections to luxury: moral—luxury corrupts; and political—the aristocrats are a wasteful, parasitic, luxurious class. In Adams' view, luxury is industrially and commercially necessary, an inevitable accompaniment of man's vanity and thirst for distinction. In the circumstances, luxury is relative. In a sense, the lower classes are responsible for what appears to be increasing luxury in the upper ranks. The higher ranks must maintain distinction between the lower classes and themselves lest they fall into contempt and ridicule. If the poor and the middle ranks reduce their luxury, then their superiors can do so safely.

On the other hand, "popular" democracy is most exposed to the evil of luxury. No subordination can exist to restrain it, since one citizen cannot bear another to be better than he. "A universal emulation in luxury instantly commences." So far as restraining luxury among the lower orders is concerned, monarchies and aristocracies may be more effective than democracy. In a completely aristocratic government, luxury is simply forbidden to commoners by sumptuary laws. In "simple", that is, absolute, monarchies, luxury is generally only restrained by the means of gratifying it, but since the difference of ranks is established by law and custom universally known, the lower ranks are not tempted to imitate the splendor of the higher. A government in which distinctions have play can preserve liberty in spite of a great degree of "luxury, dissipation, and even profligacy of manners."

Such being the vices of man, the problem was how to make them subserve his aspirations to virtue (good). The answer was the "balanced" government. Of course there must be a recognition of the principle, that "the original and fountain of all just power and government is in the people." This recognition takes the form of a lower house or "popular" assem-

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bly. The "people", as we have noticed, are the responsible propertied mass, organized by freehold suffrage or its equivalent. But just as order and property must be protected against the jealous passions and ignorance of the propertyless, larger accumulations must be secured against the more restrained, but no less dangerous, jealousy of the small propertied. Most people are too indolent and irrational to work hard to acquire some property when they have none or to increase such property as they do have. But they powerfully envy it. Give them complete power and they will rob the more foresighted and rich. By abolishing debts, imposing heavy taxes on the rich, and other ways, they will seek constantly to redistribute wealth. If the rich and powerful resist, as they inevitably will, the way is cleared for a new despot. To check the "popular" assembly, therefore, a Senate becomes necessary. It becomes the guardian of liberty and property and prevents a thoughtless process of levelling. It is also necessary, of course, in order to achieve the blessings of a natural aristocracy.

At the same time an independent executive with an absolute negative and the sole power of appointing officers, civil and military, is essential as a response to that kingly tendency of domination in human nature which can only be controlled, not cured, and prevents factional disputes among the aristocrats or between the House and a Senate. The latter must be on its mettle in order to be given lucrative offices. And at the same time it acts as a check on the executive as well as the House. The jealousy between the executive and the "gentlemen" forces him to protect the "common people" and to humble any Senator or other state officer who may become too powerful for the laws or the spirit of the Constitution. This motivates the executive to look for merit among commoners and promote those capable of public employment. Therefore to preach enmity against kingly government, that is, a powerful executive, is a vicious aristocratical device, a "conspiracy against the rights of mankind" and against that equality between the gentlemen and the commoners which "nature has established as a moral right and law should ordain as a political right" to

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preserve liberty. The American common people, he hoped, are too enlightened "to be seduced by this hypocritical snare; the gentlemen too, it is hoped, are too enlightened as well as too equitable ever to attempt such a measure because they must know that . . . after suffering all the evils of contests and dissensions, cruelty and oppression from the aristocratics, the common people will perjure themselves and establish an unlimited monarchy instead of a regal republic." In fact, the fatal defect of the Continental Congress springs from this source. Being selected by and responsible to the state legislatures, it is naturally composed of members of the aristocratical bodies in every state. Thus its tendency is to restrict the prerogatives of government and the privileges of the "people" in order to augment those of the aristocracy.

But Adams felt that his scheme provided an automatic, perfect balance or equilibrium. Each "order" balances the other and compels it to be guardian of the laws which restrain their rivalries, so that all can enjoy their liberty and property. By providing "constitutional liberty", it produces the opportunities for commerce which other types of government obstruct.[16]

Adams thought that the publication of the *Defence* would make him the most unpopular man in America, but instead he was chosen vice-president in the new government. The constitutional provisions for a divided sovereignty, a limited instead of an absolute executive veto, and Senatorial participation in executive appointments, he thought, were serious defects, but the enlightened part of the community would gradually remedy these imperfections.[17] All the states were to some degree guilty of forgetting that the "defense of property" and the "freedom of commerce" were the substance of the liberty and justice for which they had waged war with England.[18] States

[16] "A Defence of the Constitutions of Government of the United States of America", 1787-1788, in *Works*, IV, 115-116, 392, 396, 397, 427, 580, 587; VI, 95-97, 116-118, 185-187, 210.

[17] To Richard Price, May 20, 1789, April 19, 1790, *Works*, IX, 559, 564.

[18] To Henry Marchant, Aug. 18, 1789, *Works*, IX, 560.

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that had enacted paper money acts and other "relief" legislation, or had refused to grant the Continental Congress the power to levy an impost to pay the public debt, or had levied duties on the trade of other states, were "lawbreakers" as Adams understood the term. Thus Adams explained to friends that the American people "have smarted under a total oblivion of the two first principles of liberty and commerce, that laws are the fountain of freedom and punctuality the source of credit." He feared that they had "not enough of the spirit of Union to insure obedience to the laws nor enough of shame and scorn of evasion" to provide that revenue on which punctuality will depend.[19]

Hamilton's measures of "funding" the debt and establishing the Bank of the United States met his general approval, as necessary evils not as positive blessings. Debts meant taxes, and taxes contained the threat of revolution. The Bank meant paper money and paper enabled debtors to defraud creditors. The real evil was the increase in state-chartered banks with the note issue privilege. As a consequence he considered himself taxed one half of his salary and one half of "all the interest of my money to support banks and bankrupts."[20] Issues of the paper money, he asserted later, caused a rise in the price of labor, land and goods to the defrauding of creditors and the ruin of commerce. But so many people lived on the banks that little could be done.[21]

No sooner had Adams become vice-president than came the ominous note of the French Revolution, the creation of the Supreme National Assembly with the threat to eliminate the king and the nobility. Adams saw more in it: the danger that the United States might return to the "democracy" of the days of the Confederation. Unfortunately while America had yet to perfect the balance, the French, he said, had copied the American errors which cost America dear.[22] That a reforma-

[19] To Mercy Warren, March 2, 1789, *Warren-Adams Letters*, II, 305-306.

[20] To Mrs. Adams, May 5, 1794, *Letters of John Adams*, II, 158.

[21] To John Trumbull, Jan. 22, 1791, *Works*, IX, 373; to Mrs. Adams, Jan. 9, 1793, May 5, 1794, *Letters of John Adams*, II, 117, 158; to F. A. Vanderkemp, Feb. 16, 1809, *Works*, IX, 610.

[22] "Discourses on Davila", 1790, *Works*, VI, 279.

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tion was necessary in France he admitted, but the evils flowing "from the great and perpetual distinction" between the few rich and the many poor could be avoided only by a retention of the king and nobility.[23]

So he strove through the newspapers to educate the American people on the wisdom of the "balance" for all countries, and the dangerous tendencies of France. Although this production, *Discourses on Davila* (1790), does not add any new ideas, it presents the clearest and most consistent exposition of the views already surveyed. These views appear here with an emphasis and pointed quality which give the *Discourses* a certain starkness. A passionate pessimism pervades them. And they ring with the tone of a homily on human depravity and vanity and a reluctant reconciliation to the sad forces of society. The love of dominion now becomes a pervasive exaggerated love of esteem.

The theory becomes severely psychological. Men have pride of birth because an illustrious descent attracts notice. Noble blood, more so in republican than in other types, is more highly esteemed because benevolence, sympathy, "congratulation" have been so long associated with those names in the people's minds, that they become national habits. Because men love ostentation and dread the shame of poverty, contempt and inattention, they are dissatisfied with working for a simple subsistence, avoid the humble occupations of farmer, mechanic and laborer, and run to the ends of the earth to accumulate useless wealth.

Every reflective individual, of course, realizes that he must be industrious and respect the rights of others. But this simple reasoning is too much for most men. So nature entices man by instilling in him a desire for esteem and admiration. This desire is as real a want of nature as hunger; neglect is as severe as pain or disease. The result of this vanity is that men of all sorts, even those with the least reason, virtue or beneficence, are "chained . . . to an incessant servitude to their fellow creatures". Man is forced to play the rôle assigned him in "the system of the world and the society of mankind."

[23] To Alexander Jardine, June 1, 1790, *Works*, IX, 568; to Thomas Brand-Hollis, June 11, 1790, *ibid.*, p. 571.

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But suppose through the diffusion of knowledge most men become reflective, would not this dispose of the pessimistic picture? To answer this question Adams turns from a psychological to a "materialistic" interpretation. The great question will forever remain: "who shall work?" Only the few men of property can have the leisure for study, for the indispensable wants of all require the incessant toil of ninety-nine per cent of the people. Since rest is rapture to the weary man, those laboring little will be envied by those laboring much, though the latter are in reality the most to be envied. Consequently the increase of knowledge intensifying the rivalry between rich and poor renders it increasingly indispensable that "every man should know his place, and be made to keep it." So "let the rich and the poor unite in the bands of mutual affection, be mutually sensible of each other's ignorance, weakness and error" through separate chambers, and unite "in concerting measures for their mutual defense against each other's vices and follies, by supporting an impartial mediator." [24]

As Adams looked hopefully forward to a second term as president, the group which he felt contained most of the "natural aristocracy" doubted that he was suited for the honor. This was the faction which regarded Hamilton rather than Adams as the leader of the Federalist Party. They were annoyed somewhat by Adams' lack of enthusiasm over Hamilton's great financial measures. Much more serious, however, was his peaceful settlement with France of the difficulties arising from French "interference" with American commerce, and his refusal to engage in a war of conquest which might have brought Hamilton military glory. So in the campaign of 1800, though Adams was the party candidate, some Federalists openly attacked him and thus assured his defeat. But this political dispute within the party Adams seemed to view as merely personal. More disturbing to him was the victory of Jefferson and the "awful spirit of democracy". As he was about to surrender the presidency he appointed John Marshall as Chief Justice so that the courts might provide "the firmest

[24] "Discourses on Davila", *Works*, VI, 236-238, 245-246, 276, 279-280, 396.

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security . . . against . . . visionary schemes or fluctuating theories." [25] Applying his political philosophy to his own political fate, he could calmly write that, although his Federalist critics had knifed him, they possessed "so much wealth and so great a portion of the talents of the country, and at the same time so many virtues, and good principles, and are so nearly right . . . that . . . without them" anarchy must result.[26]

That Adams was a philosopher and statesman rather than merely a conservative politician and partisan was demonstrated in his attack on irresponsible Federalist maneuvers. In office the Federalists had argued for a powerful executive; out of office they were toying with the idea of undermining Jefferson by the opposite process of strengthening Congress. Adams would have none of it. To the specious Federalist argument that since we had no natural aristocracy we should have no strong executive, Adams replied that we did have "a material which actually constitutes an aristocracy governing the nation", namely, great wealth.[27]

Applying his rigorous standards, he found that Jefferson and Madison, in retaliating against English restrictions on American trade, exhibited sounder views of the nation's commercial interest than his own party. In 1812, he thought that the government under Madison so closely approached his "balanced" scheme that he would vote for Madison's reëlection. Among other considerations, the government was restoring the taxes—the excise and the like—which ought never to have been repealed, and was providing a navy.

During the War of 1812, for a moment he lost his faith in the "natural aristocracy", or at least that part of it which in New England was talking of secession. In that region the upstart Higginsons by "a profligate system of Funds and

[25] To William Cunningham, March 14, 1804, in *Correspondence Between Honorable John Adams . . . and . . . William Cunningham* (Boston, 1823); to John Jay, Dec. 19, 1800, *Works*, IX, 91.

[26] To Benjamin Waterhouse, August 7, 1805, in *Statesman and Friend: Correspondence of John Adams with Benjamin Waterhouse, 1794-1822*, edited by Worthington C. Ford (Boston, 1927), pp. 28-29.

[27] "A Review of the Propositions for Amending the Constitution Submitted by Mr. Hillhouse to the Senate of the United States in 1808", *Works*, VI, 530.

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Banks and by an immense credit from Great Britain" exercised a domineering power.[28]

Having parted company with the extreme Federalists who would play havoc with the federal government and its foreign policy, Adams found himself thinking that his views approached the position of Jefferson, or at least his own interpretation of it. Therefore, when John Taylor, taking his stand as a Jeffersonian democrat, attacked Adams as an "aristocrat", the latter pointed simply to the fact that no one could be more aristocratic than a southerner who, like Taylor, owned much land and many slaves to boot. It was not that Adams felt that the slaves should be freed; the ex-slaves would become criminals or, living a precarious existence, would beg their masters to return to slavery. But the slaveowner dominated the lives of his dependents, as a few rich men dominated Boston. In fact, the gentry are not only aristocrats but Tories. Only commerce, manufactures, navigation and naval power supported by a moneyed interest prevent their erecting the worst oligarchies.[29]

Property naturally creates, indeed is, aristocracy. It will accumulate in individuals and families despite provisions for alienation of estates and division of intestate estates, for the industrious must gather the wealth of the profligate. If, as the Jeffersonians grant, superior genius, talent, strength and activity obtain superior wealth, and if superior wealth naturally influences society, why not call the possessors a natural or actual aristocracy? The view of Jeffersonians that increase of knowledge will destroy aristocracy was still nonsense to Adams. Adams now had the benefit of Malthus' teaching to buttress his old argument that the mass can never have the leisure to acquire learning.

In illustrating the evils of aristocracy, Taylor had pointed to the abuses and monopolies fostered by government grants,

[28] To Waterhouse, March 11, 1812, March 31, 1813, in *Statesman and Friend*, pp. 17, 96.

[29] "Letters to John Taylor, of Caroline, Virginia. In Reply to His Stricture on Some Parts of the Defence of the American Constitutions", *Works*, VI, 507, 508, 511, 516.

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charters and tariffs. But Adams asked, how can they be prevented under the present political structure, "when the few are craving and the many mad for the same thing", when democrats and aristocrats unite with few exceptions in urging these monopolies and incorporations, and when every man opposing them is sure to be ruined?

In short, if the aristocracy of Federalism had led to "democratic" deviations, and if, on the other hand, the "democracy" of Jefferson had not prevented obnoxious aristocratical developments—like charters for banks and other monopolies—the trouble seemed to Adams to stem from the imperfection of government.

The philosophy of Adams is essentially a "political philosophy". Economic problems arise only because of a defective political organization. Hence there is no need for detailed inquiry into economic problems as such. Their solution lies in the mechanics of government. Given the automatic balancing of "orders", unrestrained freedom of enterprise can work no harm. The leaders of industry will control the aristocratic Senate; yet if they overstep their bounds they will instantly be checked by the other branches. Therefore they will have no interest but to act for the good of the community, stripped of any possibility to pervert their wisdom to their selfish interests at the expense of others. By setting up a perfectionist criterion, Adams can ascribe the greatest evils of an aristocratic system to the lightest admixture in it of democratic elements.

His latter-day followers—and they include many who never heard of Adams—have been quick to perceive, therefore, that Adams' system is much more useful in criticizing democracy than in justifying aristocracy. They can with equal abandon attack "plutocracy" and "communism", and everything between, and even make vague suggestions for reform. Not that anything definite is intended. On the contrary, it is extremely useful for arguing that the existing order is a close approxima-

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tion to the "balance", and its most serious defect is too much democracy.

Furthermore, Adams' procedure of arguing at one and the same time that the leadership of a "natural aristocracy" of wealth is both actual and virtuous achieves the same purpose by two methods that appear at first sight to be extreme opposites: fatalistic economic determinism, on the one side, and religion and morals, on the other.[30]

With logical skill, the postulates of Adams' scheme can be turned to yield conclusions, diametrically opposite to those of Adams in both the political and economic realms. Thus Veblen, by ascribing the overwhelming influence of the love of dominion, not to inherent, primordial human nature, but to the domination of the cultural scheme by the institutions of aristocracy and pecuniary gain, draws a ghastly picture of the devastation wrought by the aristocracy of blood or of wealth, whether *de jure* or merely *de facto*.

JOSEPH DORFMAN

[30] Professor Charles A. Beard has most expertly praised the two methods of Adams, but each is emphasized in a different volume. The "economic determinism" is presented in his *Economic Origins of Jeffersonian Democracy* (New York, 1915), pp. 299-321, especially pp. 300, 313, 319; the "ethical idealism" is made the core of Adams in *The American Spirit* (New York, 1942), pp. 115-120.

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MILITARY COMMAND AND MILITARY GOVERNMENT

MILITARY leaders have always been compelled to take an interest in the government and administration of the territories in which they were placed by the contingencies of war or other employment of their forces. Where strictly military considerations, such as the desire to control a theater of operations, did not suggest action, the economic importance of certain areas, the necessity of securing supplies and maintaining supply and communications lines, might render it advisable to bring them under a military command. In any case, practical governmental and administrative tasks have always made more complex the problems of military leadership, even though they have usually been relegated, in theoretical treatment at least, to a twilight zone neglected alike by military men, who felt the subject formed no true part of warfare, and by civilians, hesitant to intrude on what seemed to them a matter for the military.

Some explanation for the prolonged lack of interest in military occupation, as a phenomenon and an institution persisting through the ages, may be found in its ambiguous and necessarily provisional or temporary character. An additional reason is provided by the fact that, in the century between 1815 and 1914, when so much military reorganization took shape, the relative importance of conquered territory in the totality of war seemed to be on the decline. Before the first World War, indeed, it was so much reduced that, at the time, a standard definition of military occupation called it "A state of fact essentially provisional which gives to the occupant nothing but the right to accomplish the acts indispensable for the purposes of war, while respecting for the rest the sovereignty of the occupied territory." [1] International law had circumscribed warlike occupation fairly narrowly during that century, whereas

[1] *La Grande Encyclopédie*, XIX, 530.

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most earlier occupations had been unlimited by law; since 1914, however, occupation has tended to run away again from the law and, correspondingly, to increase in strategic and economic importance,[2] a shift which has already compelled the Allies to give training courses preparing Americans and Englishmen for the administration of areas now held or to be taken in the future.

Despite such courses, which are necessarily brief and practical, comparatively little has yet been done in the study of occupation along general, including historical, lines. Of all the various aspects which invite exploration—military government as a phase of military command, as a problem of politics, of diplomacy, of administration, of law—the last-named has probably been investigated best and discussed most, although, at present, international law as binding belligerents has almost ceased to exist between certain of the combatants like Germany and Russia, or is losing much of its binding force due to the infractions committed on the Axis side; but the Allies seem determined not to imitate this, however great the temptation.

Military government in the broadest sense of the term may be defined as the administration of territories—co-national, enemy, neutral, friendly, or newly discovered (*territorium nullius*)—by occupying military forces. It may take place in time of peace or of war, during the period of military operations or between armistice and peace. In time of war it is the government by a belligerent over occupied territory which may be enemy, friendly, neutral, or co-national and which usually is, has been or is likely to be part of the theater of war. When military government becomes most systematic, either during the war or afterwards, the position of the commanding general as an occupant is largely governed by a very broad and inclusive military and legal imperium. In the exercise of this imperium the general may, or may not, pay respect, varying from place to place and from time to time, to the original laws of the occupied lands or to international law. His own law is

[2] *Cf.* L. Pauly, *Occupation allemande et guerre totale; étude de l'évolution du régime des personnes et des biens d'après l'expérience de la dernière guerre* (Nancy, 1930).

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martial law, which Wellington once defined as being "neither more nor less than the will of the general who commands the Army", on whom it is incumbent to lay down the regulations and limits in conformity with which his will is to be carried out.[3] It is an imperium which makes the commander of the army at the same time the highest military official and the highest civilian or administrative official in the war zone. Despite the otherwise extensive division of war's responsibilities, this double imperium still belongs to the modern commanding general whenever he is an occupant. We recognize it, with all its dangerous amplitude, in the statement of President Roosevelt on August 26, 1943, that the American recognition of the French Committee of National Liberation "must continue to be subject to the military requirements of the Allied commanders."

Though military occupations have many features in common, their evolutionary connections have seldom been discussed, except perhaps in so far as they are linked by the unity of law, military and international. Since military thought is in large part ordered in historical ways, each military occupation has appeared very much *sui generis*. Consequently, no historical typology of military occupations or military occupants has ever been worked out. Actually, a study of types or personalities of administrators, such as Field Marshal Edwin von Manteuffel (in France, 1871-73), "showing great tact in a difficult position",[4] Leonard Wood, Lyautey, would go far in illuminating the politics and diplomacy of military occupation. There is little doubt that with all his limitations and errors Wellington, acting in France from 1814 on, was the greatest or at least the most beneficial of all modern occupants. Exercising the function of commander of the British forces who had fought their way in from Spain and whom he had restrained from imitating the worst features of Napoleon's armies, like looting and requisitioning, on French soil, he then assumed the rôle of British ambassador in Paris in 1814-15, observing and

[3] Hansard, *Parliamentary Debates*, Third Series, CXV, 880.

[4] *The Encyclopedia Britannica*, 11th Edition, XVII, 604.

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reporting many of the mistakes of the returning Bourbons. He hardly realized, however, the great hold which the dethroned Emperor still maintained over the French masses and the Army, for when Napoleon left Elba, the Duke was convinced that Louis XVIII would "destroy him without difficulty and in a short time." During the second restoration of the Bourbons, Wellington, who presented the members of the anti-Napoleonic coalition with the *fait accompli* of the re-enthronement of Louis XVIII, made the fatal blunder of insisting that the "tricolor", "symbol of rebellion", must disappear, thus helping to consecrate the very emblem which in the ensuing battle of symbols was to overthrow the Bourbon "white" after another fifteen years. This incident serves to show how influential a seemingly unimportant act of an occupant may be. He can start the snowball which grows into an avalanche smothering the returned sovereignty in the once occupied lands. But as commander of the inter-Allied army of occupation after the second fall of Napoleon, Wellington was soon ready for a "reparations settlement" with France, taking a hand in the necessary negotiations with and between bankers, such as the Barings, on the English side; and after finding the French forces for maintaining peace sufficiently strong, he pressed successfully for a complete and early evacuation of France by the Allies.

Consciously or not, the Western Allies in the present coalition seem to have been influenced, to a certain extent at least, by the example of Wellington, rather than by the practice followed during and immediately after the first World War, when occupied territories were administered by the partners to the war, like sectors in battle, each ally holding and running his own zone. The whole conception of AMG, Allied Military Government of Occupied Territories, set up for the first time in and for Sicily, is comparable to that of the Holy Alliance rather than to that of twentieth-century nationalism under whose impact *schiedlich-friedlich* arrangements worked on the whole better than international ones. For the duration of actual hostilities at least, the Military Governor in Sicily is identical with the field commander of the Allied forces in Sicily,

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General Sir Harold R. L. G. Alexander, appointed by General Eisenhower, the Allied Commander in Chief at the time. The reportorial phrase that "the actual direction of AMG is in the hands of Maj. Gen. Lord Rennell of Rodd"[5] gives one hope that the burdens connected with the government of the newly occupied territory will rest lightly and not too long on the military commander and his immediate staff. The more recent decision, however, of our own Chiefs of Staff, "apparently not foreseen by either the War Food Administration or the Office of Foreign Relief and Rehabilitation, to have the armies take care of relief feeding in the liberated areas for the next six months, at least,"[6] indicates a strong military tendency not to surrender readily the government and administration of occupied territories, including the feeding, charitable and otherwise, of these regions.

The century after 1815 and Wellington was a century of the codification of law, including that of war, which remained somewhat incomplete and deceptive.[7] As a period of restricted warfare,[8] it saw much modification of the imperium of the occupant, though, as a decision of the United States Supreme Court in a case arising from the Civil War put it, the rights of a military occupant are unlimited except as specific reservations and restrictions are found in the laws and usages of war.[9] The exercise of such an imperium naturally gave the military commander not a little to do; it called on its own part for that reorganization of staff work which Moltke began in Prussia, as

[5] *New York Times*, July 25, 1943.

[6] *New York Times*, August 16, 1943.

[7] Interesting for the pre-Hague tendencies toward the legalization of such features of military occupation as "contributions" is a debate in the Chamber of Deputies of April 26, 1837. When contributions levied in Tlemcen in Algiers by the French Army were attacked, the minister of war and other government representatives defended themselves: "Nous connaissons bien les lois sur les contributions", which netted them the cold statement of fact, in a military dictionary of a slightly later date, that "there is no law on contributions." General Bardin, *Dictionnaire de l'Armée de Terre* (Paris, 1851), II, 1601-2.

[8] *Cf.* the proclamation of King Wilhelm I of Prussia of August 11, 1870: He was making war only against the armed forces of the enemy, not against the French nation.

[9] 20 Wallace 387.

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part of the "advance of science in military organization."[10] In this new organization there was a struggle to secure more power for the chief of staff, to increase his strength and independence, for example, in relation to the minister of war.[11] But Moltke's extension of power was not of the usual explosive kind. He refrained from an expansion into certain fields that might have been open to him. Thus, in the evolution of the great general staff to its supreme position, there was a remarkable willingness to refrain from the exercise of certain powers. This was not only a sign of greatness on Moltke's part, but also one of the primary conditions of effective organization. The worst bane of modern bureaucracy is not specialization, even in its extreme form, but the competition for more power and authority, for additional fields of governance and for complete independence from restraint.

During the nineteenth century there was completed in the military field that division of labor which paralleled, if it did not actually precede, the division of labor in the industrial sphere; from this resulted the modern general staff as the most efficient organization for directing war. It was an essential point in this organization that the command, and to a large extent the full army, divested themselves of certain kinds of labor originally directed and performed by the command and the field forces. Moltke early decided that his own office and organization were to have as little as possible to do with the governing of occupied territory.

What were the Prusso-German military arrangements regarding the governing of occupied territory in Europe? The question is pertinent for at least two reasons: first, because the Prussian General Staff became, to a degree varying from country to country, the model for staff work organization elsewhere; secondly, because from 1864 to 1918, as well as during the present war, Germany has occupied so-called civilized territory

[10] "The Advance of Science in Military Organization: A lecture by the author [Sir George Tomkyns Chesney] of 'The Battle of Dorking'", *Every Saturday*, May 25, 1872.

[11] The minister of war lost out in Germany, but not in the United States, where a comparable conflict can be discerned in the relation of Jefferson Davis as Secretary of War and General Winfield Scott.

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more often and on a larger scale than any other military Power. This is to say that the Germans have most often faced the technical problem, as far as it can be separated from the political, and have gained the largest amount of technical experience. In doing so, they have, increasingly rather than decreasingly, employed civilian personnel. Such precedence makes an examination of German methods suggestive.

A significant feature of Moltke's organization may be described in modern parlance as "disencumbering the executive", freeing him and his staff from all nonessential labors, that they might concentrate on the purpose of battle and the details most closely connected with it. To obtain similar relief for lower commands, the wartime system of the deputy general command (*Stellvertretendes Generalkommando*) was introduced to relieve the corps commander in the field from all concern with replacements and supplies, which he thenceforth merely "ordered" like merchandise and did not himself have to raise and transport. The several *Etappen*[12] commands, in the rear and communications zone of the armies, were introduced for the special purpose of keeping up the supply and communications of the armies in the field as well as to take charge of the administration of the territory in question, but the original purpose of this office was equally to relieve the army supreme command—which came more and more into the hands of the chief of staff despite all constitutional arrangements in favor of the *Oberster Kriegsherr*—of a large share of his cumbersome duties. The business of the *Etappe* was represented in the GHQ by an inspector general of *Etappe* and railway affairs (*Etappen- und Eisenbahnwesen*). As far as officers and army formations were working in the *Etappe* zone, they were of the older and more nearly invalid class, *Landwehr* and *Landsturm* officers and men.[13] Besides, civilian officials were brought in and employed for the purpose of administration in the narrower

[12] The French word *étape*, derived from the German *Stapel*, English *staple*, meant originally a station for soldiers on the march or a day's march on a military route.

[13] The United States Army never had any organizations comparable to the *Landwehr* and *Landsturm*, and the attempt to create the Army Specialists Corps was abandoned after only a few months' trial.

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sense of the word, to replace or complement the administration left behind by the enemy who had evacuated these regions. Areas in which no more immediate battle action was expected were placed under a governor general, usually a retired general, who was supposed to have politico-diplomatic talents and reported directly to the Kaiser as constitutional Commander in Chief.[14]

While these arrangements led to some friction, they still eased considerably the tasks of commanders and staffs of fighting forces. As an English observer of the German occupation in France from 1870 to 1873 described the working conditions for the chief of staff of an army corps in the occupying force, in "a land politically hostile, and yet not governed by martial law", where his duties would oblige him to communicate officially not only with the heads of departments within the corps itself but with numerous civil functionaries, some of French origin, others imported from Germany, the arrangements of his staff work allowed him to clear his desk easily and devote his attention to purely military business. By and large the German organization of the *étape* was honored by close imitation in France soon after 1871 and in Russia at a later date.

The German arrangements of 1870 and after, in large part embodied in the various *Kriegsetappenordnungen* (with the one of 1902 as the last before 1914),[15] and the institution of the governor general, as the military official who administered the zones not included in the *Etappe,* formed the precedents for the arrangements of 1914-18, which need not be detailed here, except in one important aspect. The reincarnation of Moltke in the first World War was Ludendorff. One of his weaknesses was a tendency to overburden himself with work and responsibilities of the most varied kind. In more ways

[14] In German usage the governor general was a general appointed in wartime to administer a certain conquered enemy territory, such as Alsace-Lorraine in 1870-71, or in peacetime to head a district in which disorders might be threatening.

[15] Adolf Ott, *Das Kriegs-Etappenwesen des Deutschen Reiches* (Munich, 1896); a good article, "Etape (Art. milit.)" in *La Grande Encyclopédie,* XVI, 457.

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than one did he become Germany's first dictator, and those who like to think out "might have beens" can do worse than contemplate the possible rôle of Ludendorff in a victorious Germany.

Among the many things which Ludendorff took upon himself, and quite seriously at that, was the administration (and that meant exploitation in a war growing ever more total, more economic in character) of occupied territory. He set up his own model arrangement of military government in Ober-Ost, the territory behind the northern half of the Eastern front. The questions involved in this administration absorbed too much of his time and energy. Since the analysis of military defeat consists in part of itemizing the errors committed, Ludendorff's "expansionism" into fields not immediately concerned with military affairs should by no means be overlooked; it kept his mind from, let us say, giving due consideration to new machines of war like tanks, which he underestimated until a time when it was too late.

In the present war, the share of the military in the administration of German-held territory is considerably smaller than in Ludendorff's day, smaller than most people in this or other countries would suspect. It has not grown in extent since the beginning of the war. Rather it would appear that experience has convinced German warmakers that business of this kind can and should be supervised by personnel and organizations largely nonmilitary, or at best semimilitary like the SS police. Whereas the United States Army educates administrators of occupied territory, this task in Germany has been handed to—of all Nazi organizations—the Labor Front. Military government in the Third Reich has become police government, largely directed by police and SS generals, working closely with the various Quislings.

While the German Army has thus exhibited a long-term tendency to throw off the work of administration as far as possible, delegating it to civilians, in order to be free for strictly combat planning, a contrary evolution may be observed in the United States. The reasons for entrusting the United States Army with the administration of occupied territory in the past

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are clear: the work had to be done; the Army was on the spot; no one else, that is to say, governmental agencies or civilians, if we leave aside the carpetbaggers of the Reconstruction period and the Rathbones in Cuba, offered to do it; and so, after the fighting was over—and hardly ever earlier—the Army, as the readily available instrument, proceeded to carry out the necessary measures as well as it could. In fact, army men often performed this labor of reconstruction because they were on the spot and sometimes had little else to do. From the negative attitude of the civilian part of the Republic, from the non-availability of other elements, a tradition of the military government of occupied territory, foreign as well as domestic, as long as the domain of the United States was not fully and peacefully settled, gradually developed; this became so strong eventually that, for instance, during the occupation of Vera Cruz in 1913, the Army insisted on the retirement of the partly civilian administration formed of Americans who knew Mexico and who had been installed there after the Mexicans had shown an attitude of absolute non-coöperation under the original arrangements made by the United States Navy. This civilian administration was then replaced by one of a purely army character.

In taking for granted the precedent that American-occupied territory has "always" been administered by military personnel, and consequently must be administered similarly now and in the future, there is great danger of overlooking at least one intervening change. Nearly all earlier administration in occupied territory by American forces has been undertaken *after* the close of fighting; the precedents include very little of such administration during the time of actual battle, except in tropical territory. The precedents would not include the combination of simultaneous fighting, supplying and administration of the communications and other zones, whereas in the future the administration of enemy territory, to a far greater degree than ever before, will coincide with operations.

North Africa provided the first occasion for an American commander to face the problems of an occupant, during actual campaign. The political terrain was as complicated as the

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military; it was mined, so to speak, with explosive problems: To whom did Morocco and Tunisia belong? Who was and should be sovereign there? While we have not yet learned the combined political and military reasons which prevailed in making the choice of an American as high commander, it was evident at length that his business was immensely difficult, and at the close of the Tunisian campaign it was "revealed" that

> General Eisenhower . . . started the campaign with a great handicap. The political controversy that rocked London and Washington seriously embarrassed military operations, according to men who have been here from the start. The general's greatest asset has been tact—as one British officer puts it "knack for chairmanship"—which kept his international team pulling together with remarkably little friction and no disunity of effort.[16]

The episode served as a reminder that the responsibilities of the highest commanding general as an occupant may be great and onerous even when he is hardly an occupant in the usual sense, for, according to the international law of war, General Eisenhower was acting as far as Tunisia was concerned on friendly soil. While the General's diplomatic talents served, perhaps saved, the coalition in coalition warfare, his main task was purely military; North Africa was above all to furnish "a training and testing ground, a college on the conduct of war by allies, a dress rehearsal for the far larger and more difficult operations that are still to come".[17] Our Army had there to meet problems of "combined operations", not only of land, sea and air, but of military, economic and diplomatic forces. The complexity of such operations must naturally increase with every step forward into Europe and Asia, and the problem of military occupation will become correspondingly more acute.

Undeniably, much may be effected more easily through a military régime than by civilian governors. Whenever strict or severe measures seem to be required in an occupied terri-

[16] U.P. despatch from Allied Headquarters in North Africa, May 13, 1943.
[17] Hanson Baldwin in *New York Times*, May 12, 1943.

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tory, they can nearly always be defended on the ground of "military necessity". In most societies a general of distinction can hold out better against criticism than a colorless, though possibly better informed or more talented, civilian administrator. There are also conceivable situations when conditions on the spot, unfamiliar to the home government, preclude detailed instructions and make it advisable to employ a military governor, somewhat more accustomed than a civilian to make instant decisions in strange surroundings; in actual practice, either type will be continually tempted to refer for the last word to his home department. In the administrative history of the United States, military administrators have been chosen for one or several of these reasons and, it is safe to prophesy, will be so selected again.

Post-war conditions, finally, during the period immediately following the cessation of hostilities, will call for the presence of military power in occupied territory for what may be called psychological, as distinguished from the political, reasons. The enemy must be convinced that he is beaten through the visible evidence of uniforms on his soil; military command may be needful to make him accept the post-war order, however painful its character. The extent of such control, either in time or space, cannot now be foreseen. It is therefore in anticipation of a gigantic, but as yet unmeasurable, task, forced upon it by a variety of reasons, political and technical as well as historical—because it has become almost an American tradition that territory occupied by military forces is governed by those forces afterwards—that the United States Army and Navy have begun to prepare personnel for military government. The fact that such personnel is being trained is, of course, evidence of an awareness that the work of occupation in the near future will be infinitely more complicated than ever before in the past, when no one seems to have been instructed specifically for this sort of effort ahead of the actual emergency.

The fact that civilian administrators, in small or great numbers, will be needed eventually to replace, succeed or assist army officers has already been touched upon by spokesmen for the United States Army. Most explicit is the statement by

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Under-Secretary of War Patterson before the graduates of the second class of officers to complete the special course of instruction at the School of Military Government at Charlottesville. While insisting that military government was "necessarily incident to the operations of the Army in occupied territory", that it was impossible to have division of authority in such circumstances, and that "the military leader on the ground must, of necessity, be in unrestricted control of the resources of the area, in order to push forward the battle line and prevent the foe from recovering what he has lost", he emphasized that the Army had "no use for imperialism. But the Army is confronted with an essential administrative task. It will be called upon to preserve order among a disaffected or confused people. It will be called on to attend to the distribution of the necessaries of life. For all this we need to have officers trained to manage such matters, and we also need civilians with the appropriate technical experience." [18]

The need for civilian assistance in the work of occupation is above all technical in origin; it is evident that in an age of extreme specialization, carried to the highest point in most branches of warfare at this time, the overburdened army technicians must be spared any work that can be assumed by others. The complicated business of government must not be allowed to interfere at any point with that of fighting; in apportioning the various governmental tasks, the supreme purpose should be to maintain the best possible functioning of the modern army, in keeping with its highest purposes, in line with the most perfect attainable arrangements for securing victory. Along with these strictly military and technological considerations, as some army men have already indicated, follow others, more political in character. In carrying out work assigned to it by tradition, or thrust upon it by necessity, the Army must avoid raising the notion in the general public that it is growing in directions not strictly military, that it is falling victim to a bureaucratic expansionist tendency, that it clings to a kind of work for which it was perhaps not originally conceived or for which it might no longer be the best fitted instrument. This

[18] *New York Times*, December 30, 1942.

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is one of the political facets of the problem touched upon by Major General Allen W. Gullion, Provost Marshal General of the United States Army, in whose office military government would center, and who declared that "despite the inevitable obligation of the Army to establish and maintain military government in an occupied area, it is sometimes said that military government and imperialism [19] are practically undistinguishable. This is an error—provided that military government is discontinued, as it should be, when military necessity no longer requires it." [20]

Looking forward to the day when they seem destined to play their rôle in the future pacification of the world, army men see that part greatly complicated by two things: first, proposals are now made that hostilities should be succeeded, not by the customary short armistice period and then "everlasting peace", but instead by a prolonged armistice which is to insure an even longer enduring peace; such a prolonged armistice, naturally, will heighten the importance of military government in enemy areas, and possibly in other regions as well, until settled governments can be set up. Secondly, while a greater demand may be made on the military for such work, they must reckon with the mounting factor of war weariness on the part of their own troops, if the war and then the occupation should be greatly extended.

The rather limited willingness on the part of soldiers, rank and file or officers, to remain mobilized as troops of occupation has played an increasing part in post-war settlements with the rise of conscript armies in modern times. In contradistinction to professional armies, which are willing to be quartered abroad, the conscript forces are homesick once the battle is over, if not, indeed, a good deal earlier. Inside the German armies from 1917 on, the dread of having to stay on in the German-occupied territories, those of the East in particular, for indefinite

[19] It is not clear from the incomplete published text whether the term "imperialism" refers to the usual outwardly directed kind, to colonialism, control, etc., or to the expansionism, suspected or actual, on the part of a body of officials, *vulgo* bureaucrats.

[20] Speech before the Herald Tribune Forum; *Washington Post*, November 22, 1942.

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periods, played a considerable rôle in the deterioration of soldiers' morale. While the Pan-German organizations at home were planning to have German troops, not inspired by any particular "land-hunger", stay on in Courland, Finland, Esthonia, Livland, Poland, nearly forever, and while enough officers were willing to serve anywhere and settle on what seemed to them, if not to the international law of the time, *territorium nullius,* the urban elements of the rank and file and the nonprofessionals among the officers were strong in their desires to go home; turning with anger against the *Alldeutschen,* who planned to prolong the war even beyond the peace, they dreamed only of returning to work and surroundings that were familiar and congenial. The strong and far-going self-demobilization of large parts of the Allied forces after November 11, 1918, should give pause to those who consider lightly the occupation of enemy territory for several years after victory in the present war. Those who contemplate a permanent ending of American isolationism after this war should contemplate the rôle which the soldier, returning or not allowed to return promptly, will or might play in the re-creation of isolationist sentiment. And another military element to be borne in mind by the formulators of post-war plans would be this: those soldiers willing to remain behind, to re-enlist or to enlist newly are not in every case the best elements for an occupational force. A more detailed study of AEF contingents on the Rhine after 1918 tends to show a rather constant deterioration of the enlisted personnel and a rise of the military delinquency rate.

For these and other reasons, the possible uses of civilian administrators, selected and prepared in advance of the emergency, would seem forced on the attention of post-war planners. Wellington was possibly such a good occupant, when he administered France after Waterloo, because he thought war was over for a long time to come and so considered the military period of his own lifework as largely finished; he was ready to enter upon a new period, of civilian reconstruction, and then to retire. In this respect he was quite unlike those Prussian officers in France during the same time who, as Castlereagh

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complained, were little inclined "to go home and commence a civilian life."[21] Successful occupation requires the persistence of a Wellington to see the task to the end, and the readiness to recognize the moment of its completion.

Whether military or not, occupation is likely to form an important link between victory and post-war order and peace. In this light it must be contemplated, this purpose it must be made to serve. If a prolonged armistice is to become a school for peace, we must equip these administrators and occupants with the men and materials for their job as seriously as we now equip and prepare the fighters of the war. It will be vain to compose federations and constitutions, as paper instruments, to bring world order out of catastrophic conditions, if the actual work of occupying the chaotic areas and enforcing such plans is left to last-moment improvisation.

ALFRED VAGTS

SHERMAN, CONN.

[21] C. K. Webster, *The Foreign Policy of Castlereagh, 1815-1822* (London, 1925), p. 161.

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LABOR UNIONS IN PEACE AND WAR

THE failure of capital and labor to recognize that each is useless without the other seems to be the fundamental cause of most industrial controversies. Instead of regarding each other as jointly privileged and mutually dependent enterprisers or as partners in a business that offers a fair chance for gains to all the members of the firm—whether the contribution of the individual be one of money, brain, dexterity or sheer brawn—employers and employees in the larger concerns, with somewhat rare exceptions, have seemed to assume toward each other an attitude of suspicion and dislike. All too frequently this has led to open breaches that have entailed not only heavy money losses to both sides but also lamentable bloodshed and the destruction of life itself. And this is chiefly because of failure to perceive their essential economic oneness and community of interest, and to act accordingly.

The long, determined and bitter fight waged by industry to stamp out labor unions, particularly the effort inaugurated and prosecuted by the late Henry Clay Frick, beginning in 1889 when he became chairman of the Carnegie steel works, cast serious doubt alike upon the soundness of the judgment of the employers and upon the validity of their ideas of elementary justice: the first in not sensing that they were engaged in an undertaking doomed to ultimate failure, and the second in not recognizing that, since capital was thoroughly and powerfully organized, labor, simply as a matter of fair play and self-protection, had an equal right to organize.

II

Now, however, the pendulum has swung to the opposite extreme. The unions for the last ten years have had things much their own way. Consider the following cases:

1. A controversy between employees and management arose in a big automobile factory in Detroit during the winter of

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1937. The workers took possession of and held the plant. It was the notorious sit-down strike. The company, as provided by law, brought suit to test the legal right of the employees to resort to such means of enforcing their demands, and asked that they be compelled to vacate. The court, after a full hearing, so ordered. But the strikers defied the sheriff, when he undertook to execute the court's decree; whereupon—again as the law provided—the sheriff applied to the governor of the state for troops to assist him in the performance of his sworn duty. Yet the governor—presumably in accordance with word from Washington — failed to come to the sheriff's help, thus tolerating one of the most flagrant exhibitions of contempt for, and defiance of, duly constituted judicial authority ever made in this country.

2. In November 1941, the National Defense Mediation Board, by a vote of 9 to 2, rejected the demand of John L. Lewis for a closed shop in what were known as "captive" mines, owned by steel companies. The Board placed its decision on the ground that for it to compel the closed shop would be equivalent to the government's doing so, and President Roosevelt himself had declared unqualifiedly that "the government of the United States will not order, nor will Congress pass legislation ordering, a so-called closed shop." All but about 5 per cent of the men in the captive mines already belonged to the union, and the decision on the question of wages had been in the miners'. favor. Still Lewis was not satisfied and ordered the men not to return to work after the existing contract with the operators expired, which was at midnight November 16. About 53,000 workers in Pennsylvania, West Virginia, Kentucky and Alabama were involved, in addition to more than 100,000 workers in other mines. The cessation of operation affected eight states in all. On November 22 the union's policy committee accepted a presidential proposal to return to work and to submit the dispute to a special arbitration board whose decision would be final. The board was composed of John L. Lewis, president of the union, Benjamin Fairless, president of the United States Steel Corporation, and

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John R. Steelman, director of the United States Conciliation Service. On December 7, 1941, the day the storm broke at Pearl Harbor, this Board, Fairless dissenting, decided in favor of the union, thereby establishing the union shop almost universally throughout the coal-mining industry. Steelman said that this was not by *government* action, since he had divested himself of his authority as director of the Conciliation Service! By this purely formal shift the previous presidential declaration, that the government would never order a closed shop, was circumvented, and thereby also Lewis scored a signal victory.

3. In the recent Montgomery Ward case the company refused to include as terms in a contract, which was being negotiated between itself and certain of its employees, three clauses insisted upon by the C.I.O. labor union. The company especially objected to what is known as the "maintenance of membership" clause. By that clause the employer engages to deduct from the pay of all its union employees their membership dues, and to remit the sums so deducted to the union; and, further, to discharge any employee who ceases to be a member of the union.

The National War Labor Board, on November 5, 1942, ordered the company to include the three clauses in the contract, and, upon its refusal to comply, President Roosevelt, on November 18, 1942, addressed to the company the following communication: "As Commander-in-Chief in time of war, I direct Montgomery Ward and Company to comply, without further delay, with the National War Labor Board's directive order of November 5, 1942."

The company answered promptly that it would comply with the President's order, and it did write the three objectionable clauses into the contract. It insisted, however, upon incorporating in the document a recital to the effect that it considered the three clauses to be illegal and unsound, and that it was signing the contract under duress. The union objected and again appealed to the labor board, which ordered the omission of the recital proposed by the company, but said that the con-

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tract might state that the company was signing "after protest". Upon the company's refusal, the matter was again referred by the labor board to the President, who, as "Commander-in-Chief in time of war," on December 12, 1942, ordered immediate compliance. Whereupon the company complied.[1]

Did the President have any warrant of law for his action in the premises?

The provision involved is Section 2 of Article II of the Constitution, which section, so far as relevant in the present connection, reads as follows: "The President shall be Commander-in-Chief of the Army and Navy of the United States, and of the Militia of the several States when called into the actual service of the United States."

A reading of the words themselves would seem sufficient to refute any claim that the provision was ever intended to authorize any such action as the President took in the case under discussion, and for the following reasons:

(1) Those provisions, in express terms, limit the power conferred to the commanding of the Army, the Navy and the Militia. Hence, it would seem that by no permissible latitude of construction can they be viewed as extending to a purely mercantile establishment such as Montgomery Ward. Nor did that company have any contract with the government to supply goods to the Army or Navy, nor was it even contended that the business of the company bore any relationship to the war effort materially different from that borne by any other concern en-

[1] Montgomery Ward & Co., in April 1944, again was subjected to presidential coercion in a labor union dispute. The controversy involved the question whether the company should continue to treat as still in force a contract that had expired, and the further question whether, as a matter of fact as distinguished from its claims, the C.I.O. represented a majority of the employees of the concern. Under the Smith-Connally Act, which was passed some months after the earlier incident hereinabove dealt with, the President was given authority to take over "any plant, mine, or facility equipped for manufacture, production or mining of any articles or materials which may be required for the war effort or which may be useful in connection therewith." Upon the failure of Montgomery Ward & Co. to comply with the presidential order, the government, employing a detachment of troops for the purpose, took possession of the Chicago units of the company, physically ousting its chief executive. But, here again, it is not easy to find in the words "plant, mine, or facility" anything descriptive of a purely mercantile establishment, or in the terms "manufacture, production or mining" any suggestion of the kind of activities in which the big mail-order house is engaged. Other and even broader and more basically momentous issues were involved.

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gaged in selling dry goods, household furniture, clothing, and other miscellaneous merchandise.

(2) The language used scarcely leaves room for doubt that the object was to name the final authority as regards the movements and other activities of the armed forces.

(3) It is obvious from the terms of Section 2 that unity of command in time of war as regards federal and state forces was considered of vital importance, and therefore was specifically provided for in that section.

Such, on its very face, would seem to be the objects and the plain import of the provisions of the Constitution upon which the order of the President was predicated.

Furthermore, the Supreme Court, in *Fleming* v. *Page*, in an opinion by Chief Justice Taney, referring to the powers of the President as Commander in Chief, used this categorical and decisive language: "His duty and his power *are purely military.*" [2]

But the most regrettable feature of the whole matter is the disquieting feeling, based upon past as well as current events, that the President himself, in giving his order, acted under duress. It would appear from the sit-down strike case and the Montgomery Ward case, respectively, that the military is not available when invoked against union labor, but that it is available when invoked in union labor's behalf.

All right-thinking people believe, and believe firmly and fervently, in the fundamental right of labor to organize for its own economic protection and advancement, and such people are ready to join labor in a fight for any legitimate claim it may assert. Yet all right-minded people believe also in law and order. It is quite as much in the interest of labor, as of any other body of our citizens, that those principles should be respected and defended.

4. Even the Supreme Court, as reconstituted by President Roosevelt, appears not to be free from the thrall of present-day organized labor. In *United States* v. *Local 807 of International Brotherhood of Teamsters, etc.*, which was decided on

[2] 9 Howard 603. (Italics supplied.)

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March 2, 1942,[3] the Court considered the case of the union and twenty-six of its members who had been found guilty by a jury of having violated certain provisions of what is commonly called the Anti-Racketeering Act, passed June 8, 1934. By section 2 of that Act it is provided that

> Any person who, in connection with or in relation to any act . . . affecting trade or commerce
>
> (a) Obtains or attempts to obtain, by the use of force, violence, or coercion, the payment of money not including, however, the payment of wages by a bona fide employer to a bona fide employee; or
>
> (b) Obtains the property of another, with his consent, induced by wrongful use of force or fear . . . ; or
>
> (c) Commits or threatens to commit an act of physical violence or physical injury to a person or property in furtherance of a plan or purpose to violate sections (a) or (b),

shall be guilty of a felony.

The evidence at the trial, according to the statement set forth in the Court's opinion, delivered by Mr. Justice Byrnes, showed "that the defendant Local 807 includes in its membership nearly all the motor truck drivers and helpers in the city of New York. Large quantities of the merchandise which goes into the city from neighboring states are transported in 'over-the-road' trucks, which are usually manned by drivers and helpers who reside in the localities from which the shipments are made and who are consequently not members of Local 807" . . . .

"There was sufficient evidence", the Court said, "to warrant a finding that the defendants conspired to use and did use violence and threats to obtain from the owners of these 'over-the-road' trucks $9.42 for each large truck and $8.41 for each small truck entering the city. These amounts were the regular union rates for a day's work of driving and unloading. There was proof that in some cases the out-of-state driver was compelled to drive the truck to a point close to the city limits and there to turn it over to one or more of the defendants.

[3] 315 U. S. 521.

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These defendants would then drive the truck to its destination, do the unloading, pick up the merchandise for the return trip and surrender the truck to the out-of-state driver at the point where they had taken it over."

The decision was in favor of the defendants, Justices Roberts and Jackson taking no part and Chief Justice Stone dissenting.

In his dissenting opinion the Chief Justice, referring to the conduct of the defendants, said:

> They, or some of them, lay in wait for trucks passing from New Jersey to New York, forced their way onto the trucks, and by beating, or threats of beating, the drivers, procured payments to themselves from the drivers or their employers of a sum of money for each truck, $9.42 for a large truck and $8.41 for a small one, said to be the equivalent of the union wage scale for a day's work. In some instances they assisted or offered to assist in unloading the trucks; and in others they disappeared as soon as the money was paid, without rendering or offering to render any service.

The Court viewed the case as turning upon the meaning of the words, "not including, however, the payment of wages by a bona fide employer to a bona fide employee", in sub-section (a) of section 2 of the Act. But how, in the light of the evidence, the defendants could, for an instant, have been regarded by the Court as coming within the terms of that saving clause would be difficult, indeed, to understand were it not for the fact that the legislative history of the Act discloses that those words, and also a proviso that the Act shall not be applied so as to "affect the rights of bona fide labor organizations in lawfully carrying out the legitimate objects thereof, as such rights are expressed in existing statutes of the United States," were inserted at the express behest of representatives of the American Federation of Labor. Such sponsorship, it may be said, reveals the reason for a remarkable decision, since doubtless it gave rise in the minds of a majority of the members of the Court to a strong, not to say conclusive, presumption that, however unambiguous the words might be on their face, they were never intended, by their sponsors at least, to carry a mean-

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ing that would exclude from their protective operation any member of organized labor.

And so the learned justice devoted most of the fourteen pages of his opinion to a labored and—in the view of the writer of this article—wholly unconvincing argument designed to show that the defendants did in fact and in law come within the sheltering aegis of the words "not including the payment of wages by a bona fide employer to a bona fide employee"; that the threatened and perhaps beaten driver of the out-of-state truck was, in each instance, a "bona fide employer" of the man or men who forced him to pay the $9.42; that his assailants were his "bona fide employees"; and that the money so extorted was "wages". No term less virile than the word "absurd" seems to be adequate to characterize such patently forced conclusions.

III

How has union labor deported itself during the present World War? In the main, with high credit. The stupendous output of fuel, minerals, electric and other power, arms, airplanes, tanks, ships and the almost innumerable other things needed for defense attests that fact beyond dispute. While not all the workers have been, or are, members of unions, nevertheless the truly marvelous results achieved would not have been possible but for the fact that many thousands of union labor workers have been faithful, industrious, highly efficient, and zealously patriotic. All honor, credit and profound gratitude to them! But among other union workers the case has been entirely different.

The evident attitude of these latter has been to take advantage of the dire emergency to further their own interests, and with little or no regard for the effect on the war effort. And let it be noted right here, and always borne in mind, that losses from strikes, at least those in strategic industries, if not settled quickly, may, and usually do, have far-reaching effects on the whole production system by shutting off the flow of essential power, materials, parts, or unfinished products.

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According to figures compiled by the Bureau of Labor Statistics of the Department of Labor, there were 4,288 strikes in 1941. That number was exceeded only in 1917 and 1937. The number of workers involved in those 4,288 strikes in 1941 was 2,362,620, and the number of man-days lost was 23,047,556. A pretty sorry record for the Arsenal of Democracy!

Pearl Harbor was December 7, 1941, and, during the twenty-four remaining days of that month, 84 new strikes, involving 16,092 workers and entailing a loss of 303,312 man-days of work, took place. Certainly, that was not getting off to a very good start in our rôle as an avowed belligerent.

Early in 1942 an interdepartmental committee, with representatives from the War, Navy and Labor Departments, the Maritime Commission, the War Labor Board and the War Production Board, was appointed to determine which strikes affected war work. The committee found that during 1942 there were 1,359 such strikes, involving 568,312 workers, and causing the loss of 2,095,294 man-days of work. Following are the figures for 1942, given by months:

	Strikes Begun in Month	Men Involved	Man-Days Idle
January	27	11,605	46,197
February	50	24,587	118,700
March	66	34,957	166,680
April	91	26,255	173,513
May	125	44,891	137,330
June	171	78,627	254,653
July	198	74,812	233,614
August	195	70,352	266,353
September	156	71,912	318,892
October	93	38,321	167,865
November	91	43,422	91,925
December	96	48,571	119,572

At the end of 1942, upon recommendation of the committee, the compiling of figures relative to strikes involving war work, as a separate category, was discontinued. Principally, this was because by that time the war effort had extended virtually to every industry in the country, with the result that the line of demarcation between strikes affecting war work and those not affecting it could not be drawn with precision.

According to figures released by the Bureau of Labor Statistics on February 9, 1944, preliminary estimates for 1943

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show that during the year there were 3,750 strikes, involving the startling total of 1,900,000 workers and the colossal aggregate of 13,500,000 man-days. The four coal strikes, each involving 400,000 men, account for 8,500,000 of the man-days when production was suspended. More than once the government has been obliged to take over and operate the mines, the second time because the miners, in open defiance of an express and peremptory order of the President, refused to resume work. Indeed, in every "showdown" John L. Lewis, and not the government, has won.

In England and Sweden, the closed shop does not exist, but increasingly it is recognized in both those countries that employees have a stake in industry quite as substantial as that of the employers. In America the demand for the closed shop is ever widening and becoming more and more insistent, but even some of labor's stanchest friends oppose it as undemocratic and fraught with the grave danger of eventuating in monopoly.

Herbert Agar, for instance, in his forceful book, *A Time for Greatness*, says:

> It seems probable that the closed shop is a genuine danger to democracy, just as it seems certain that labor can rise to full stature in the life of a nation without the closed shop.
>
> The question involved in the closed shop transcends mere equality of bargaining powers; it is no less than the ultimate question of power itself. . . . Man has learned, during several thousand years of uncomfortable experience, that it is not safe to confer absolute political or economic power upon anyone.[4]

But, in the ultimate, it will not be by statute or court decree that full justice will be done to employer and employee, respectively. That can come about only through a radical change of *attitude* toward each other: by a recognition of that community and mutuality of interest and condition of interdependence referred to at the beginning of this article. Happily, there are signs that such a change is taking place. D. O. Bowman, of the University of Michigan, in his recent and informative book entitled *Public Control of Labor Relations*, seems to think so. He says:

[4] *A Time for Greatness* (Boston, 1942), p. 207.

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> Of equal or greater importance than the number of trade agreements is the quality of agreements made. There is some evidence that a new spirit is entering into the agreements, a spirit which no longer looks upon collective bargaining as a legalistic process but one which reflects an increasing acceptance by the employer of what is claimed by organized labor to be its objectives of mutuality and cooperation. Too, the leaders of many unions seem conscientious in their endeavor so to control their organizations as to appear before the employer as a group of workers interested in peace and production, although many of the union excesses that were prevalent in the latter "thirties" do not seem yet to have disappeared.
>
> The importance of this new trend is not to be minimized. It is indicative of a better approach to employer-employee relations, and it will enable organized labor and management to devote more of their energy to cooperation and thereby enhance mutual respect and make for harmony. The shift of emphasis from legalism to cooperation will come slowly, *for both employer and union attitude must change.* Considerable re-orientation will be necessary by both sides of the bargaining structure, and the difficult problems that are in the offing of cooperative bargaining will demand high industrial statesmanship of both employers' and employees' representatives.

But successful "cooperative bargaining" will require far more than "high industrial statesmanship". Every sincere and wise friend of management and employees alike will say to them: "Your *attitude* toward each other—that indefinable yet very real and extremely potent property of the human soul—is the thing of fundamental importance. Cultivate an attitude of mutual respect, sympathy, confidence and friendship, and occasions for controversy will then be rare indeed."

JAMES QUARLES

STAUNTON, VA.

[5] *Public Control of Labor Relations* (New York, 1942), p. 440. (Italics supplied.)

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LABOR PROBLEMS IN AUSTRALIA

Wartime Labour Developments in Australia is the third book on the industrial courts of Australia Mr. Foenander has written in recent years.[1] The first was *Towards Industrial Peace in Australia* (1937), the second *Solving Labour Problems in Australia* (1941). They are all books no person interested in Australian labor and its problems can possibly overlook, in spite of certain limitations they have in common. It will be convenient in this discussion to refer to them as I, II and III.

Although Australia is widely known as a "labor country", the useful books on the subject are not very numerous. If to Mr. Foenander's studies one adds George Anderson's *Fixation of Wages in Australia* (1929) and Henry B. Higgins' *A New Province for Law and Order* (1922), one has just about exhausted the books on the courts which have first-class importance. After they are digested it is a matter of scanning second-string books, hunting out elusive pamphlets, tracing down occasional articles and, rather quickly, making original investigations. Nor is the situation much better when one seeks to place the courts in their labor context and the general social context. As this reviewer has pointed out elsewhere (*Antioch Review,* Spring 1944), the history of the Australian trade unions has never been exhaustively told, there is no comprehensive book on the Labour Party, and biographies of labor leaders are not numerous. Economic history in Australia is still in its formative stage. The best books are Sir Timothy A. Coghlan's *Labour and Industry in Australia* (4 vols., 1918), Edward O. G. Shann's *An Economic History of Australia* (1930), and Brian Fitzpatrick's two volumes, *British Imperialism and Australia, 1783-1833* (1939) and *The British Empire in Australia, 1834-1939* (1941). To these can be added a small number of special monographs like Stephen H. Roberts' *History of Australian Land Settlement 1788-1920* (1924) and R. B. Madgwick's *Immigration into Eastern Australia, 1788-1851* (1937). In sum, to grasp the essentials of the labor problem in Australia the student must do his own exploring, for no one has ever synthesized

[1] *Wartime Labour Developments in Australia: With Suggestions for Reform in the Post-War Regulation of Industrial Relations.* By Orwell de R. Foenander. Melbourne University Press in Association with Oxford University Press, Melbourne and London, 1943. xxix, 177 pages. 17/6.

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in a book-length study the materials one must have for true understanding.

* * * * *

It is impossible to find in Mr. Foenander's books anything one would care to call a reasoned interpretation of the labor movement. In so far as he has controlling ideas, either inductively or deductively arrived at, they are derived from an intensive study of the courts, not from the wider social context. This makes his general observations of limited use. He calls his books studies in "legal-economics on a historical basis" (III, xvii) and he describes the courts as experiments in "authoritarian control" of labor problems (*ibid.*). The latter is to him an expression of approval. He vehemently denies that such control is incompatible with democracy and, indeed, believes that other countries might profitably adopt it. He does not deny, however, that it is correct to say that the courts, by their control over the unions registering with them (a voluntary act), serve as important extensions of the general state apparatus of social control. Aside from certain recommended changes in the institutional machinery of the courts Mr. Foenander has little criticism of his own to offer, but he reports the criticisms of others. Australian reviewers of his books have asserted that his essentially uncritical attitude toward fundamentals does not accurately reflect the opinions of informed Australians. Mr. Foenander is more warmly pro-court than are most students. He finds it possible to use such expressions as "the history of the court reads like a romance" (I, 254). And implicit throughout is the thought that the courts provide an open highway to the palace of impartial social justice—provided the traffic never lurches too far left. Indeed, when Mr. Foenander is suddenly beset by the idea that the social struggle may assume a shape hostile to the courts he is filled with horror and refers unctuously "to the truth of the dictum of the late Earl of Balfour—'the resources of human folly are not yet exhausted.'" (I, 255) He is, naturally, entirely unsympathetic to those unions which stand outside the court system, or which occasionally resort to direct action to enforce a point against the employers.

Yet thinking of the evidence Mr. Foenander so impartially presents, three ideas immediately occur to anyone whose knowledge of Australian labor exceeds the facts in the books: (1) the larger aspirations of labor cannot be realized within the court system and labor is well aware of this, (2) the struggle to realize these aspirations chiefly goes on in the political sphere, heading up in parliament, where the

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Labor Party is very strong, and (3) since the courts are created by legislation founded on the constitution they will reflect in their practices and decisions the success or failure of organized labor in its larger activities. The courts, therefore, do not of themselves offer a highway to social justice. They are, more properly, authorities for administering the traffic rules laid down by parliament. There is no point in confusing the traffic police with the highway.

This is not to imply that the courts follow the election returns, as Mr. Dooley found the Supreme Court doing, for the courts operate within statutory provisions which it requires sharp parliamentary struggles to alter, but it is to say that as far as social justice is concerned its achievement requires action far outside the ambit of the courts. That a change of party administration can mean a change in the statutes governing the courts is illustrated by Mr. Foenander in I, chapters iii and iv. A tough conservative administration could make the courts dictatorial as well as authoritarian; and a tough labor administration could use them as vehicles for enforcing labor's "socialistic" program. The peculiar social balance in Australia in recent times makes either of these possibilities seem highly unlikely, but the possibility is there even if the probability is currently lacking. It is worth noting that when the Australians today discuss full employment and rising living standards as essential components of social justice, they never speak of them as realizable through the courts. The needed action, statutory and administrative, is entirely over and beyond the courts. Yet such is their utility that once the new ideals of social justice are accepted, they can in considerable degree be supported and applied in detail by the courts. This is, of course, an immensely useful contribution. Thus it seems to me that while Mr. Foenander, as a lawyer-*cum*-economist, is scrupulously exact in reporting the powers and procedures of the courts, he unconsciously, in his admiration of the system, broadens their significance to an unwarranted degree. In this sense, the titles of books I and II promise far more than the courts can ever deliver and illustrate a confusion in Mr. Foenander's mind as to the nature of social justice. It is, after all, as wide as society itself. The courts most decidedly are not.

* * * * *

Mr. Foenander devotes most of his attention to the federal industrial court which he regards as the pace-setter for all of them, as the one which today is unquestionably predominant, and which in the post-war period is certainly going to consolidate and extend its

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powers. Yet the state courts, in their several variant forms, should not be overlooked. They deserve rather more attention than Mr. Foenander gives them in II, General Appendix I, even though their status today is in flux as the federal court, under wartime powers and, prospectively, under the constitutional changes now pending, has its ambit extended. The whole subject would be more understandable if Mr. Foenander would write a small book tracing the rise of the courts and parallel institutions in the pre-federation period, and showing how they have influenced the federal court, both as forerunners and concurrent institutions.

The federal court rests on Part V, 51, xxxv of the Commonwealth Constitution: "The Parliament shall, subject to the Constitution, have power to make laws for the peace, order, and good government of the Commonwealth with respect to . . . Conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one State." One does not need to be a lawyer to recognize that any institution founded on this provision will inevitably be involved in the recurring disputes over federal and state rights. This has happened, as Mr. Foenander shows. Some of the most important decisions of the High Court on the federal government vis à vis the states, and vice versa, have originated in industrial court cases. Moreover the peculiarities of the constitutional foundations have made it difficult to define the powers of the federal court in legislation, and just as difficult for the judges to know the limits of their powers. There has been a strong tendency in peacetime to find that the court has restricted powers. There have been hot disputes over who may be recognized as parties to a dispute, over what is a true dispute, over what may and may not be recognized by the court as matters at issue in a particular dispute, over the extent to which the court's decisions are applicable when rendered—over issues, in short, which fill the impatient layman with a kind of disgust at the human capacity to split hairs. Moreover there are such persistent criticisms of the court as (1) that there is an exasperating overlapping of awards as between the federal and state courts; (2) that the unions shop around among the courts seeking the most favorable award; (3) that conciliation tends to be neglected, or circumvented, in favor of court action; (4) that the expected emphasis on justice has been obscured by the multiplication of legalistic intricacies and that these have made the parties absurdly contentious and unnecessarily hostile to one another; (5) that ill-considered rules have become precedents destructive of justice, and

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that the justices are hampered in making rules by lack of a detailed knowledge of the occupations they are considering; and (6) that such penalties as have been used have fallen more heavily on employers than employees. (Incidentally, the Australian public is hostile to the use of punitive measures by the court.) Occasionally measures are taken to eliminate a cause for criticism, but many of the difficulties trace back either to the language of the constitution, or to the use of court procedure in the hottest of all social disputes—that in industry. A careful reading of Mr. Foenander's three books will disabuse anyone of the notion that industrial courts are simple and easy things to operate, or that sweetness and light are characteristic of them in Australia, any more than in the case of parallel institutions in this country.

Although the court deals with the whole range of industrial issues —hours, wages, and conditions of work—the outstanding and persistent issue is wages. While the court has materially improved the conditions of work, general legislation must be scanned for a full understanding of the subject, and while it has specified hours in numerous cases (see I, chaps. vii and viii; II, chap. iv), it has in the larger sense waited upon legislation before systematically altering so fundamental a matter as the standard working week over the whole of industry. A campaign for a reduction of the 48-hour week to 44, or 40, is only in part a court issue. It is, more importantly, a political issue, fought out in the public mind and, eventually, in parliament. This point was made and illustrated in Dr. H. V. Evatt's critique of Mr. Foenander's first book (see *The Australian Quarterly*, IX, 3, Sept. 1937).

The wage issue is on a different footing. The principal factor here is not in legislation so much as in an industrial court decision rendered by Justice H. B. Higgins in 1907 and still the fundamental wage decision of them all. My reference here is to the world-famous Australian *basic* wage. Mr. Foenander notes the contention of the court that a fundamental change—a "fresh start"—took place in 1934, but correctly states that "This figure adopted for the 'fresh start' . . . *was, in fact,* also the Harvester wage as calculated upon the All-Houses index (i. e., food, groceries and house rent only) without the addition of 'Powers' 3/-.'" (I, 112, his italics.) To the uninitiated reader this may sound rather technical, but all it means is that the court had taken Justice Higgins' basic wage, adjusted it on a cost-of-living index, and lopped off a special addition of 3/- which had been added along the way.

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The questions that need asking are: How scientific was Justice Higgins' determination of the wage in the first place; and what was it designed to secure to the recipient? Shortly, the answers are (1) it was not scientific at all, nor did the author ever claim it was—it was a very rough rule-of-thumb determination; and (2) it was designed to secure the recipient a wage which would satisfy "the normal needs of the average employee, regarded as a human being living in a civilized community." Obviously the ideal defined by Justice Higgins was admirable, but just as obviously the fact that the initial figure was not determined scientifically is a fatal flaw at the very foundation of the Australian basic wage system. *It is a flaw that has never been thoroughly repaired.* A systematic attempt to put the wage on a fairly scientific basis was made by the Royal Commission on the Basic Wage of 1920, but the figure laboriously arrived at by considering the minimum requirements of poor families (the detailed considerations entered into are fantastic, including the suggested purchase of indispensable goods at bargain sales) led to a basic wage higher than any awarded before or since (i. e., 1907 to 1944), and so obviously out of line with the established wage scales of the nation that it was dismissed as impossible to accept by the government of the day. The Royal Commission's report is one of the most disillusioning documents that can be read in connection with a study of the Australian basic wage. The Chairman, Mr. A. B. Piddington, eventually arrived at the conclusion that only by supplementing the basic wage by child endowment grants could an approach be made to an equitable wage for large families fundamentally dependent upon the basic. On a national scale, child endowment did not come in in Australia until 1941. It had been established in one state, New South Wales, about two decades earlier. This is an incidental illustration of the point that complete social or industrial justice must always be sought outside as well as inside the court system.

Over the years there has, of course, been much close study of the basic wage and a vast volume of argumentation about it in the court. By the use of cost-of-living index numbers of increasing scope and soundness the figures periodically determined have been given a fairly constant purchasing power over considerable periods. Once announced, the wage is subject to quarterly automatic adjustments to the cost of living. But there has also been an important change in the philosophy of the basic wage. From Justice Higgins' admirable statement, there has been a slow shift to the use of the concept of

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the capacity of industry to pay a given basic wage. Whereas Justice Higgins gave a rough monetary equivalent of a fundamentally humanitarian definition, the court has come to found its figure on economic conceptions into which humanitarian considerations enter only incidentally and which it is utterly impossible for the court fully to explore. Mr. Foenander is quite clear on this point; though, being an advocate and not a critic, he fails to press it home as he should. This change of emphasis was occasioned by a decided shift in the intellectual climate of Australia circa 1914-1918—from humanitarian social reform to an emphasis on the building of industry through private enterprise—and it appears to have been confirmed by the disillusioning results of the Royal Commission of 1920. It cannot be too strongly emphasized that the court system has its origin in the period of middle-class and labor reformism which began to run in the early eighteen-nineties and petered out during World War I. Mr. Foenander, perhaps because his interest in general interpretation, as contrasted with technical methodology, is rather weak, does not explore this matter. But the total effect has been to make the current basic wage a *floor under wages* which is allegedly the maximum industry as a whole can afford, and no longer a sum which theoretically meets the "normal *needs* of the average employee" (my emphasis). On the floor the whole wage structure of Australia is erected, by the use of "margins" for skill and other interesting devices fully illustrated by Mr. Foenander.

The intricacies of court procedure and rulings are copiously discussed in Mr. Foenander's volumes. In the course of the three, which must be read together to be completely intelligible in any instance, he gets over an enormous amount of ground and maintains a standard of clarity and precision which is a tribute to his thorough mastery of his complex material. Only the most exacting student will come up from a reading of them with questions unanswered. American readers, however, will wish he had chosen for particular analysis a factory industry, rather than the sheep and cattle pastoral industries (II, chaps. v and vi).

In Volume III he is particularly concerned to show the impact of the war on the system. Briefly this has meant the extension of the ambit of the federal court, chiefly by removing the constitutional limitations on the court's powers by invoking the defense power to allow what is normally *ultra vires* the constitution, and the introduction of various executive administrations to handle special problems with which the court has either not dealt in the past, or with no

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particular success, or which are inherent in the governing of civilian labor in wartime. Much of the material offered under these heads can usefully be compared with American methods of dealing with the same problems. Conservatives will be astonished, liberals pleased, by the rôle of the unions in working the wartime controls. Some of the wartime extensions of "authoritarian control" may eventually be permanent additions to court powers and so may its own wartime "unconstitutional" extensions of power, if the constitution is suitably amended, as seems fairly likely.

Australia is thoroughly committed to dealing with labor problems by authoritarian methods. In this respect, as in others, it is a step or two in advance of the United States in the world-wide march to bureaucratic statism; or, as Professor W. K. Hancock has more graciously put it, "in the passage of . . . democracy away from *laissez-faire*." If the total social context of the nation is modified in the direction of more universal social justice, in accordance with wartime promises, the courts will continue to enjoy the widespread, though critical, respect they have long enjoyed. And while Mr. Foenander may have muffed the point, there are numerous Australians well acquainted with the problem who realize full well that the courts in and of themselves cannot achieve either "industrial peace", the "solution" of labor problems, or social justice in general. They have their proper task and, speaking generally, they have done a good job at it. But if I were an Australian I would never commit to them any larger job than applying in detail the standards of industrial justice determined in basic outline elsewhere and otherwise—in parliament as an expression of informed public opinion. To force a larger burden on them is a sure way to wreck them beyond repair. To think that they can carry a larger burden is to misconceive the nature of the labor problem, for it is one that cannot be isolated and circumscribed in such a fashion as to be originally or finally dealt with in a satisfactory fashion by court procedures.

C. HARTLEY GRATTAN

TUCKAHOE, N. Y.

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REVIEWS

The Future of Colonial Peoples. By LORD HAILEY. Princeton, Princeton University Press; London, Oxford University Press, 1944.—62 pp. $1.00.

Since 1938 there has been a notable shift in British opinion on imperial problems. Faced, after 1933, with Hitler's demand for colonial revision, Englishmen proposed many types of concessions ranging from outright transfer of territory to Germany, to various modifications of colonial economic policy. Lord Lugard, for example, was willing in 1938 to consider the employment of Germans, among other foreign, qualified officials, in the administration of mandated territories; in 1937 Lord Noel Buxton and Mr. Arnold J. Toynbee, with others, contemplated an extension of the mandates system if Germany were assigned territory to be held under mandate.

In 1944 comparable British spokesmen are less concerned with proposing changes in British administration or with the extent of imperial jurisdiction than in stoutly maintaining that things are very well as they are. Lord Hailey says, in one of the concluding sentences of the present book: "as regards the British dependencies, it may be permitted to me to hold that there is in the Commonwealth of the United Kingdom and the British Dominions a union of people which is not only a great force in the world but is distinguished by conceptions of social order and of political liberties which need not fear comparison with those held by any other nation or community of nations" (p. 62).

This change of attitude from one of anxious defensiveness to one of confident justification may be attributed to several factors—the change in leadership, symbolized, in this field, by Mr. Churchill's preference for the title "British Commonwealth and Empire"; the present expectation of a successful termination of the war; and the completely different nature and source of criticisms which are now being leveled at the Empire. These criticisms emanate both from within Britain itself, where imperial introspection is a traditionally healthy process, and from various opinion groups in the United States, whose rock-throwing, it is hinted, should be inhibited by our greenhouses in Puerto Rico and below the Mason-Dixon

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Line. This criticism covers three main points: (1) colonial independence, (2) the improvement of social and economic conditions in the colonies, and (3) the degree to which third parties, or international agencies, should obtain an influence in the determination of colonial policy. It is to a consideration of these issues that Lord Hailey's book is largely devoted.

Independence for the native peoples in the dependent Empire (Lord Hailey expressly excludes India from this consideration) is shown to be undesirable until greater capacity for self-government shall have been attained. A comparison with French, Belgian, Dutch and Portuguese colonial policy is made to demonstrate that Great Britain is in the forefront of the colonial Powers not only as concerns declarations "that self-government is the goal of colonial policy" (p. 43), but also in the extent to which colonial peoples are being taught the art of government.

Concerning social welfare, Lord Hailey points to the abandonment in 1929 by Great Britain of the view that improvements must be paid for from colonial resources, and to the appropriation by Parliament in 1940 of $220,000,000 to be spent on a ten-year colonial development scheme. On the economic side, it is admitted that the possession of colonies provides various advantages to the metropolitan Power, although emphasis is laid upon their frequent overvaluation. The issue here, which is stated but not analyzed, is the extent to which the colonial Powers would be affected by the transfer of colonies to direct international administration, since it has been found that British trade with its A and B mandates was not noticeably less than with its colonies, even after the adoption of imperial preference. It seems clear, however, that such international control would mean a loss to the colonial Powers, since in that case they would lose the benefits enjoyed by the administration even where no policy of protection is followed.

When it comes to international participation in the administration of colonies, Lord Hailey is a minimalist. Direct international administration is opposed because this is "a procedure of which we have hitherto little experience" (p. 56), and because there is evidence that both native and white groups in the colonies would not favor it. Lord Hailey will go no further than to approve regional councils composed of colonial Powers together with "other sovereign powers possessing definite interests in the zone affected" (p. 59). The councils "would not have an executive capacity, but would

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endeavor to coordinate policies by mutual consultation and the use of expert advice" (p. 59).

If, as seems highly probable, Lord Hailey's views are representative of a dominant trend in British imperial thought, there will be deep disillusionment among those who had hoped that the end of World War II would mark the beginning of a new era of international trusteeship for colonial peoples. The mandatory system was regarded in some quarters as a disguise for annexation; the coördinative councils favored by Lord Hailey would appear to be little more than window-dressing for a return to the status quo of 1939. The imperial Powers remain the imperial Powers, presumably minus Italy and Japan (no mandatories are suggested for the Italian colonies), and no international obligations are laid upon them other than those of meeting together and listening to the advice "of other sovereign powers directly concerned".

This proposal, presented as an experiment, is probably the slightest advance which could be devised. It is, however, in perfect accord with Mr. Churchill's declaration on March 17, 1943, that "His Majesty's Government are convinced that the administration of the British Colonies must continue to be the sole responsibility of Great Britain", and is perhaps the most which can be expected in that probable post-war world where economic advantage and national security will continue to be the primary concerns of the great states.

BRYCE WOOD

SWARTHMORE COLLEGE

Les Colonies françaises, passé et avenir. By JACQUES STERN. With an Introduction by Robert Tenger. New York, Brentano's, 1943.—xix, 397 pp. $2.50. Also published in English under the title *The French Colonies, Past and Future.* New York, Didier Publishers, 1944. 307 pp. $3.00.

The author of this book, long active in French political life and onetime Minister of Colonies, is eminently qualified to accomplish the task which he has set himself: a brief historical sketch of French colonial activity and a survey of the present empire. Accordingly, by far the greater part of the book consists of an account of overseas expansion up to the nineteenth century, followed by a description of the acquisition of a new colonial empire built up in the main by the Third Republic; shorter sections deal with mandated territories and French influence in other regions such as Persia.

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The long colonial struggle between France and Britain resulted in the virtual elimination of the former country by the latter as an overseas power in the eighteenth century. A new and quite substantial empire was acquired between 1870 and 1914, second only to the British in extent and importance. But the British Commonwealth and Empire is so far ahead that there is often a tendency to ignore or dismiss as relatively unimportant the French and other colonial empires. The author sees no cause to be apologetic about French colonial activity and expansion, clear manifestations to him of France's civilizing mission. It is well that this point of view should be defended at a time when, in America especially, there is much readiness to condemn colonial expansion as such, wholesale and indiscriminately. The treatment is, however, open to the charge of falling between two stools: too flimsy from the standpoint of the historian, yet too cluttered with confusing detail for the ordinary reader. A more serious charge is that of adopting a too narrowly French point of view. It is true that, historically, the French have been relatively more successful in their dealings with natives than for instance the British, but the difficulties which have developed in all colonial areas during the last decade or two are glossed over rather too easily. There would also be point in making distinctions between the varying quality of management in different parts of the empire, instead of giving so uniform a picture of sweetness and light. It is doubtless incorrect to focus attention exclusively on abuses and imperfections as has often been done; but the existence of such ought to be recognized, if only to place them in proper perspective. The contrast between the policy of the Third Republic and the earlier policy of monopolistic companies is an interesting point, but overstressed.

To the American reader especially, the most interesting parts of the book will doubtless be the brief introduction and conclusion. The question of the future of colonial possessions in general and of the French empire in particular raises problems which are far from simple. The author advocates unqualifiedly the restoration of the French empire and takes issue very sharply with Wendell Willkie's cavalier readiness to "liberate peoples in the interval between a dinner and a speech". Here it must be granted that Mr. Willkie's armor is open to a telling attack. The principle of self-determination, founded in justice as it is, is obviously appealing. But to translate it into the simple evacuation of their possessions on the part of the colonial Powers could yield no other result than chaos. There is no denying the fact of nationalistic agitation in the Hindu and

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Mohammedan worlds. It would be equally mistaken to ignore the precise extent of this agitation, of the groups or classes which have become its vocal exponents in such places as India, the Near East and north Africa, the class structure of these areas, and the degree of their economic and political development — or backwardness. M. Stern may well be charged with oversimplification when he seems to imply that the French possessions need only return to their pre-1940 status which was leading them toward self-government in any event; these sections of his book are a contribution to a desirable debate.

Some minor points may be mentioned which, while relatively secondary, may provide grounds for much controversy. Granting that France has to a degree been the victim of Anglo-American short-sightedness, in addition to her own mistakes, there is little to be gained by overstating such factors as the extent of Indochinese resistance to the Japanese (p. 50) or the magnitude of the current French naval contribution (p. 344). The advocacy of autarchy for France with her empire (p. 351) is at best questionable. The author seems to have overstated or misstated his real thought when he says that the French army now in process of building will dictate (although the French *dicter* does not carry the connotations of *dictate*) its attitude to the French people when the coming invasion of France materializes.

RENÉ ALBRECHT-CARRIÉ

QUEENS COLLEGE

The Future of South-East Asia: An Indian View. By K. M. PANIKKAR. New York, The Macmillan Co., 1943, under the auspices of the Institute of Pacific Relations.—vii, 126 pp. $1.75.

Winning the Peace in the Pacific: A Chinese View of Far Eastern Postwar Plans and Requirements for a Stable Security System in the Pacific Area. By S. R. CHOW. With a Foreword by Hu Shih. New York, The Macmillan Co., 1944, in coöperation with the Institute of Pacific Relations.—xi, 98 pp. $1.50.

These two books between them cover all post-war Asia, their focal point and solutions varying with the authors' place of origin. Mr. Panikkar, an Indian (onetime foreign minister of the state of Bikaner), holds that the key to stability and peace in Asia lies in India. "The creation of a free India . . . capable of fulfilling her obligations in South-East Asia is thus seen to be the crux of the whole problem" (p. 27). Mr. Panikkar's conception of a free India is somewhat

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unusual. He accepts Pakistan and would create two Indias—Pakistan and Hindustan. To them would be added Burma, also independent, to form a Triune Commonwealth, three separate entities all free but joined in alliance with one another and collectively with Great Britain. Thus there would be formed a unit of power in Asia which no aggressor could challenge with impunity. Mr. Panikkar deliberately elides the question of the boundaries of Pakistan and Hindustan. Nor does he explain how Pakistan can form a political whole when the predominantly Moslem parts of India are spotted in different parts of the sub-continent. There is proposed also, though none too clearly, an international council to deal with southeastern Asia's colonies. The council would consist of America, Britain, Holland, France, China, Australia, Indonesia and India with two representatives of the colonial peoples. Like all other proposals for whole or partial international jurisdiction over colonies, this one, too, is unclear.

Professor Chow, whose field is international relations and law, writes succinctly and clearly. His propositions are compactly stated. "First, Japan must be completely disarmed after her defeat in the war. Second, there must be a fundamental readjustment in the relationship of China to other powers. Third, the racial and national problems of the region must be solved equitably. Fourth, a regional organization must be formed to establish security and maintain peace." No one will quarrel with Professor Chow's recommendations for Japan's territorial disarmament, but he is less specific on how military disarmament will be enforced. He proposes that an international commission be set up, with regular inspections of Japanese factories, together with an international control over the sale of strategical minerals and other raw materials by whatever country. How we can protect our inspectors in Japan without a military occupation is not made clear. The doubt may be expressed whether we can. As to the regional organization, he would include in its membership every great Power in the world except, curiously, France. On that it might be said that, if a world council could operate for Asia, it could operate for the whole world and had better be frankly a world system, with a subordinate organ to deal with the East. Again it should be said that a case for an international body of any sort for the East has never been satisfactorily made. With exception for this point Professor Chow's book may be called a vigorous though short presentation of a difficult problem.

NATHANIEL PEFFER

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God, Mammon and the Japanese: Dr. Horace N. Allen and Korean-American Relations, 1884-1905. By FRED HARVEY HARRINGTON. Madison, The University of Wisconsin Press, 1944. —xiii, 362 pp. $3.75.

For some years now we have not wanted an extensive literature in Western languages on the troubled affairs of Korea. Much of this literature is, to be sure, ephemeral—special pleading on the manifold aspects of the so-called Korean problem. Substantial historical scholarship, however, has not been lacking: the works of Paik and Rhodes on missions, of Dennett, Paullin, Treat, Tsiang, Vagts, and others on diplomacy. Yet it has remained for Professor Harrington not only to supplement what these scholars have done, but also to add distinct and important contributions of his own, and, in doing so, to create our most graphic word picture of Korea and the diplomacy of imperialism, 1884-1905.

The stage for this volume is, for the most part, Seoul in the days when that unhappy capital was the scene of missionary activity, economic rivalry, and political intrigue. Unity of structure is provided by the career of Dr. Horace N. Allen, "the first Protestant missionary to reside in the kingdom of Korea," whose manuscripts together with Korean materials in the State Department archives provide the major sources of the study. The emphasis is on those features of the story which have not been fully exploited by other scholars: the diplomatic and commercial aspects of missions, the diplomacy of American investment projects, and the relationship between Allen and Korean court officials. In all of these fields Allen, who "could not claim to be a great man nor an altogether noble one," played a most significant part, first as medical missionary, and later as adviser of the Korean monarch, as secretary of legation, and finally as minister of the United States.

The subject of foreign missions is for the historian one of great difficulty, and the history of Christian missions in Korea is no exception to the rule. There, to a greater extent, probably, than in other parts of the Orient, the missionary became involved in personal, as well as nationalistic, economic and political, pursuits, scarcely to be reconciled with his spiritual mission. From American history, the reviewer recalls no more striking example of such confederacy than the career of Horace Allen. Nevertheless, Professor Harrington tells the story with subtle appreciation of the evidence. If the

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missionaries, under Professor Harrington's pen, became less impressive as spiritual leaders, they become more understandable as human beings. Here are gripping portraits of many missionary types: provincial, prejudiced, frequently fanatical, always intolerant of indigenous and rival faiths, yet as often rising to heights of truly Christian sacrifice.

"Allen was two things—a Christian envoy and a dollar diplomat." In the latter capacity he could always count on the support of his friend, the Korean monarch; but he faced Chinese and then Japanese opposition and, from the beginning, the timidity of American financiers who were "far from confident that Chosen could be trusted." Professor Harrington here portrays with skill the problem of many an American diplomatic agent: how to reconcile his diplomatic trust with his interest in the success of concession hunters. Allen failed the former more often than the latter.

The final chapters devoted to the political aspects of Korea's turmoil give in historical perspective the picture of Korea's degenerate domestic politics, of Chinese intrigue under Yuan Shih-kai, of Russo-Japanese rivalry, and of Allen's meddling in all of these affairs which, according to his official instructions, were none of his business. In Korean politics, Allen, like many of his diplomatic colleagues at Seoul, was an opportunist. When Chinese influence was supreme, Allen was pro-Japanese; when the Japanese were on top, Allen became pro-Russian. In 1904 he ended his diplomatic career with the feeling that "Korea was beyond salvation, 'impossible,' 'simply abominable and getting worse all the while.' Morning Calm was out of date, [he said,] Chosen should be entitled the Land of the Cold Gray Calm of the Morning After."

This book is not only a fine contribution to history, it is also one that should be regarded as indispensable to the policy-makers who will shape the Far Eastern framework at the close of this war. Professor Harrington's narrative makes it clear that the Korean problem is not alone the relatively simple one of expelling the most recent aggressor. When this war is ended, many bases of conflict so prevalent in Allen's day are likely to be present again.

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Indian Crisis: The Background. By JOHN S. HOYLAND. New York, The Macmillan Company, 1943.—ix, 193 pp. $2.00.

In the welter of books on India which have poured from the presses in recent years, the present work merits the distinction of being exceptionally informative, brief and unpretentious. The author, an English doctor and sociologist who spent some fifteen years in the Central Provinces, is a man of broad sympathies and generous idealism. His regard for the plight of the Indian masses is deep and obviously very sincere, though tempered by his effort to be fair-minded toward the British ruling power. If he is inclined to side with the former, he at least avoids the error of the professional radical who can see naught in the Indian scene but black and white. On the whole, the book is free from those sins against objectivity which have vitiated so much of the current literature pertaining to India and its problems.

The opening chapters stress the tremendous importance of geography and climate in shaping the country's destiny. Then follows a short section in which the main currents in the stream of Indian history are outlined. Against the background of the physical environment the author develops the salient theme of the book, the tragic struggle of the Indian people for existence. He says much that is fresh and original about the sociology of the peasant village and its urban counterpart, the industrial city, with its appalling filth, poverty and human degradation. The controlling factor in the situation, he points out, is the huge, annual population increase which presses relentlessly upon the soil, reducing the landholdings to smaller and smaller fragments and throwing off a growing horde of landless peasantry. The author is at his best in depicting the fate of the rural proletariat in their constant battle for survival against the forces of malnutrition, disease and hunger. He is not unmindful of the spread of agricultural coöperatives, which he regards as a most hopeful sign. And he pays high tribute to the government famine administration, whose work he observed at first hand in the United Provinces during the famine of 1921. But he finds little cause for optimism in the present land system of India where the average income of the peasant cultivator never rises beyond the incredible pittance of twenty-five dollars a year!

Mr. Hoyland draws a no less depressing portrait of the urban working classes in modern India. In the industrial centers the

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normal conditions are low wages, long hours (anywhere from ten to eighteen in spite of factory legislation), together with slum housing which probably has no parallel in the West. One ward in Bombay has five hundred people to the acre, while another in Cawnpore boasts a population density of nearly one thousand an acre. The natural concomitant is a grim pattern of disease, misery and vice. In Calcutta, for example, the authorities found a single district in which one out of every three women factory-operatives was a prostitute. Mr. Hoyland contends that the moral breakdown, illustrated by such instances, has its source in the factory slums where masses of peasants, uprooted from their native villages, live amid an environment in which the taboos and sanctions of caste no longer have any meaning. At the same time, he sees in the social freedom of urban India the seed of a new individualism, which may ultimately overwhelm the ancient barriers of religion and caste. Perhaps it may; but the historian will recall a similar expectancy ninety years ago when Dalhousie was projecting the future railways of India. Yet the system of caste survived the democracy of the railway carriage, and it may likewise outlast the inroads of urbanization, for it is a tenacious institution as old as the memory of man.

In discussing the political situation the author wisely confines himself to the period of agitation and conflict which followed the close of the first World War. He is whole-heartedly in sympathy with the National Congress and, therefore, critical of Great Britain. He indicts the government for the repressive policy repeatedly employed since the "unwise" Rowlatt Acts of 1919. The practice of establishing communal electorates he regards as a major blunder, productive of much of the current tension between Hindus and Moslems. But his own solution for the communal problem seems rather questionable. He condemns "the bastard type of federalism" (p. 84) in the Constitution of 1935, which would have yoked the democratic representatives of British India to the despotic Native States, and he is equally critical of the Cripps proposals made in 1942. He is keenly aware of the importance of the States in the polity of India, but he feels that no sound federalism is possible until the British force the princes to institute constitutional and educational reforms.

Mr. Hoyland has immense respect for both Gandhi and Nehru whose careers provide the highlight of the closing chapters. He traces the sources of Gandhi's idealism back through Ruskin and

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Tolstoi to the *Bagavad Gita* and the religious thought of Gautama Buddha. He believes the secret of Gandhi's power lies in his simplicity and in his profound humility of spirit. It is these qualities together with his complete devotion to the ideal of non-violence that have enabled him to galvanize the Indian masses into resistance to their British rulers. The author contrasts Gandhi's rather primitive economic conceptions, in particular his emphasis upon the revival of cottage-industry, with the collectivism of Nehru. He also discusses certain other differences in the outlook and temperament of the two leaders, though he seems to feel that in practice these things have always been subordinated to their common hatred of British imperialism. The book closes with an eloquent appeal for freedom now for India.

BRUCE T. MCCULLY

THE COLLEGE OF WILLIAM AND MARY

War and the Law. Edited by ERNST W. PUTTKAMMER. Chicago, The University of Chicago Press, 1944.—vii, 205 pp. $2.00.

This volume consists of a series of nine lectures sponsored by the Charles R. Walgreen Foundation for the Study of American Institutions at the University of Chicago and delivered by eight members of the faculty of the University of Chicago Law School. Its purpose is to appraise the impact of war, and especially of World War II, upon the legal order. The beginning and concluding lectures deal with the interpretation of legal trends generally and with the philosophy of law, and are doubtless intended to integrate the more specific studies in between. The other lectures deal variously with law as it relates to civil liberties, aliens, the armed forces and the civil population, labor relations, international cartels, price control, and military justice.

Among the significant generalizations phrased by Wilbur G. Katz in the first lecture entitled "World War II and Legal Trends" is the suggestion that the war crisis is bringing a striking change in the general attitude toward law. Exclusively positivist conceptions of law no longer satisfy. In spite of the injury done to the theory of natural law by the incorporation of nonessential elements into its subject matter—oftentimes for use in striking down social legislation—we now face something in the nature of a return to natural-law thinking, to an appraisal of law in terms of conceptions of what ought to be. In the concluding chapter, indeed, Mortimer J. Adler

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develops this generalization far enough to make it applicable to law in a world community. "The rule of law — that is, just constitutional government—is the indispensable condition of peace in any community, however small or large, from the smallest tribe to the as yet nonexistent community of all men on the face of this earth" (p. 196). He believes that anarchy among nations as among individual men must ultimately be brought to an end and that universal administration of just constitutional government will eventually make an end of war. This goal, however, he sees as still far off. He predicts that the present war will be followed by a truce which will lead to another war in the "not too distant future" (p. 198).

Wartime developments throw light on basic legal problems in the field of economic organization. The law of contracts is vitally affected by price control and other substitutes for free market prices. The lectures deal variously with these items. Administration of law involves contact with economic developments which in themselves work changes in legal relations—as in the operation of powerful cartels. One of the most original and provocative lectures, indeed, is that by Edwin H. Levi entitled "International Cartels and the War". Referring to the growth of German cartels, the author remarks that "it is erroneous to describe German business as something other than government, because a centralized and rationalized industry is nothing but a form of government" (p. 119). He declares: "The cartel world is a closed world in which the individual disappears. It is a hierarchical order of power politics in which giant concerns, acting for their subordinate concerns, friendly and buffer states, trade and maneuver" (p. 125). As for the United States, he warns that "We have yet to show that we can combat a long term industrial offensive intended to incorporate us into a world managerial system. We are now at the stage when we either will boldly stop the advance of this system or will capitulate by deciding to have public regulation, which means public acceptance of this new order" (pp. 140-141).

Other lectures illuminate other topics. While the book does not provide definitive treatment for the various subjects discussed, it does help bring the reader up to date concerning them. The integration of the topics, in turn, illuminates broad processes of the development of law.

Carl Brent Swisher

Johns Hopkins University

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Victory Without Peace. By ROGER BURLINGAME and ALDEN STEVENS. New York, Harcourt, Brace and Company, 1944.—335 pp. $2.75.

Although the authors of this book have not stated their aims, apparently their main object has been to tell the story of the making of the peace that followed World War I. A second goal the writers evidently strove to attain was to tell that story in a style that would appeal to a wider audience than is attracted by the usual historical account of any epoch-making event Again, the writers may have intended to emphasize the great divergence that existed between the points of view of the professional diplomats and partisan politicans of the years after World War I and the views and desires of the common people. Or, for the benefit of those now living, this book possibly has been written to warn them that there is all the difference in the world between the reception accorded programs to bring about a better world when those plans are proposed in wartime and when those same proposals are suggested after the enemy has been defeated. Finally, the purpose could have been to supply the reader with information about that earlier period, but to present it in such a way as to cause the reader to see a parallel between World Wars I and II.

To achieve their aims, the authors have resorted to a novel method of telling the story. This method employs the newsreel technique. Before the eyes of the reader there appear in rapid succession descriptions of many historic scenes that are pertinent to the narrative, verbatim dialogues between the important men of the World War I era, excerpts from documents and speeches that had a bearing upon the post-Armistice settlement, and reconstructed conversations of the key or of typical men of those years. Although orthodox historians may object to this practice of putting words into the mouths of men, it adds to the readability of the story. In short, the newsreel technique is handled so capably that the reader's interest is sustained throughout the volume.

The authors have succeeded in making the Age of the Fourteen Points live again in the mind of the reader. The book tells the story of the effort to realize the program for peace and world settlement that Woodrow Wilson championed. The narrative begins early in 1918 with Colonel House describing the European situation to Wilson, continues through the crumbling of the Central Powers, the elections of November 1918 in the United States, the Armistice cele-

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brations, and the struggle for a League of Nations, and finally ends in normalcy.

The volume leaves the reader with many impressions. Turning to the central theme of the story, one realizes that the articulate portion of the world's population was not ready for any program that might have brought about a peace of more than two decades' duration. And in the American scene at that time, in the activities of Henry Cabot Lodge and his like with respect to the peace treaty and the League of Nations, without questioning their motives, one is impressed with the significance of the statement that if a nation is to be saved, it must not be saved by one's political opponents. Again, viewing the book as a whole in terms of the field it covered, the reader may wonder whether the authors have not tended to oversimplify a complex pattern. Finally, one may ponder the effect that events in the present struggle have had upon the writers of this book. Indeed, after studying the present war and its possible future implications, and after reading this account of the events leading to the earlier peace, one is tempted to remark, "Here is where I came in."

JAMES R. MOCK

WASHINGTON, D. C.

Revolution Comes of Age: The Use of War. By ASHER BRYNES. New York and Toronto, Farrar and Rinehart, Inc., 1944.—xiii, 271 pp. $2.50.

This is not a review. It is a confession of failure. *Revolution Comes of Age* is a discussion of international politics and it is buttressed by extensive if not always precise historical evidence. A professor of diplomatic history might be expected to understand such a book. But, after reading every word in the book and on the wrapper, this reviewer does not know what Mr. Brynes is talking about.

Certain of his contentions are very clearly stated: that talk about fighting Fascism is "just words"—"dictionary gunpowder"; that this is not a war of self-defense—"we are safe enough"; and that, "as for defending the Americas to the south, about one tenth of our present military establishment would more than suffice." What then are we fighting for? The war, he says, is a necessary prelude to the

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unification of Europe by revolution. "We are making war to enable the people of Western Europe to do this for themselves."

The fact that all this is news to men like myself will mean nothing to Mr. Brynes. His opinion of professors in particular, and professional men in general, is very low indeed. It is enough for him that the Common Man is groping toward an understanding of these self-evident truths. Possibly the Common Man also understands the peculiar character of the revolution which Mr. Byrnes says will unify Europe. I do not. And that is serious, because that is what the book is all about, and because the publishers affirm that *Revolution Comes of Age* is one of the most remarkable books of this most remarkable decade.

Such books—there are many of them—should be reviewed by the Common Man. If the soldiers I have been teaching for the last year represent the Common Man, the reviews would be interesting reading.

RAYMOND J. SONTAG

UNIVERSITY OF CALIFORNIA

Which Kind of Revolution? By W. D. HERRIDGE. Boston, Little, Brown and Co., 1943.—ix, 162 pp. $1.75.

Three tendencies are widely current among intellectuals today: first, to divide all politics into Right and Left; secondly, to regard economic change as primarily subject to government initiative and control; thirdly, to declare certain reforms to be inevitable, and then call earnestly for their promotion. Each of these trends is clearly and brilliantly manifested by Mr. Herridge, who has set himself a difficult task. He has attempted, with little or no aid from history, to explain the present critical condition of the world; and he has sought to lay down principles for reconstruction while ignoring most of the precepts offered by the past experience of the race. Such a procedure calls for high qualities of intelligence, energy and courage; and all these Mr. Herridge possesses. He has discovered, by sheer power of observation and detachment, that freedom, apart from the right to use material wealth, has no meaning or existence. He has thought his way with vigor and self-satisfaction through the maze of modern public problems. He has spoken out boldly in condemnation of men who are rich and powerful, famous and even popular. He is at his best when he is condemning. Among the

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institutions and individuals he lashes in descending order of severity are Fascism and Mr. Hitler, Toryism and Mr. Churchill, Capitalism and Mr. Roosevelt.

Is he then, perhaps, a Socialist or a Communist? He is neither. He declares himself to be "an ordinary progressive". This is an understatement. He is an extraordinary and most revolutionary "progressive". Proclaiming (without fully defining) the doctrine of "total use" of natural resources to end poverty and bring freedom and peace, he warns us that a revolution is bound to come. If the present leaders of the English-speaking world introduce "total use" at once, the revolution will be peaceful. If not, it will be "bloody". He prefers the former type. But the latter will give practically the same results. Russia has "total use". She got it by bloody revolution. The English-speaking world is organizing an anti-Communist front. That means that it is going Fascist. When Hitler falls, it will fight Russia; and it will be defeated, because the common man will not fight for Fascism. Russia, victorious, would rule the world, and that would mean slavery and the end of civilization. But all this can be avoided if the English-speaking world adopts "total use" and coöperates with Russia. The rest of the nations apparently do not count. They must merely be forced to go in for "total use" for their own good and the good of their neighbors. Then there will be endless peace, prosperity and happiness, the last of which should be the chief aim of man.

Not that Mr. Herridge finds no place for God in his scheme of things. He eschews all mention of religion; but there is a faint though unmistakable flavor of the evangelist or the revivalist about much of his work, especially when he talks of the future. He even sums up the issue as "freedom: the right of every man to live according to the will of God." This, however, is not essential to the book. The figure which dominates the whole is the politically-minded reformer calling upon the great American middle class to persuade its leaders to proclaim a new order in which production would be the means, not to mere profits for the few, but to plenty for all. The style is clear, simple and dramatic. The honesty and ability of the author are undeniable. Only in the field of knowledge of how the past made the present, and how the present may work to shape the future, is there the most astounding and disheartening deficiency.

DONALD J. PIERCE

TORONTO, CANADA

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Russia and the United States. By PITIRIM A. SOROKIN. New York, Literary Classics, Inc.; distributed by E. P. Dutton and Company, 1944.—253 pp. $3.00.

Professor Sorokin endeavors to prove that Russia and the United States "have had a unique record of peace and cooperation", which he explains by "the virtual absence of any irreconcilable conflict between the fundamental values of the two countries, and the positive factor of their essential sociocultural similarity and congeniality" (p. 209). It does not occur to him that before 1917 the United States had fought only two minor wars with European Powers (Great Britain and Spain) and that therefore, until World War I and with the two exceptions just noted, the "unique" relationship with Russia which he traces back to the eighteenth century did not in this respect differ from the relationship between this country and other states.

The evidence produced to support the unconventional theory of the "miracle" of Russo-American "friendship" is highly selective. Sorokin believes that Francis Dana's mission to St. Petersburg in 1781 marked the beginnings of "mutually beneficial diplomatic and social relations" (p. 16), but he fails to mention the fact that Dana was not received at Court and returned home empty-handed in 1783. One would never gather from Sorokin's reference to the "close friendship" between Jefferson and Alexander I (p. 16) that the formulation of the Monroe Doctrine was, to a great extent, influenced by the apprehensions created in the United States by Russian expansion in North America and by the machinations of the Holy Alliance, led by the Tsar, in the South American continent.

In his eagerness to prove the "significant similarity" in the historical development of the two countries, Sorokin maintains that territorial expansion "has been achieved in both cases not so much by means of military force as through the voluntary submission of various tribes and peoples and through the peaceful penetration of pioneers" (p. 29). The annexation of the Caucasus, he believes, "was due largely to the voluntary subordination to Russia of the Christian kingdom of Georgia" (p. 31). It is true that King Heraclius of Georgia applied for a Russian protectorate in 1783, but Sorokin says nothing about the bloody struggle for the subjugation of the Caucasus which was not officially terminated until 1864, though it actually lasted longer.

Much of the "evidence" produced by the author is so irrelevant

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as to be frivolous. No reasonable person would deny that there is a certain amount of intellectual intercourse between Russia and the United States in the field of art and science, but this observation applies to any other two countries and offers no ground for dogmatic assertions about the "essential sociocultural similarity and congeniality" of Russia and the United States. Sorokin has a great deal to say about the nature of war; he is entirely at home in dealing with such elusive and dangerous notions as "call of destiny" (p. 144), "historical hour" (p. 161)), "current of historical destiny" (p. 207). Yet he is strangely blind to the rôle of war in Russian and American history: while Russia throughout the centuries was fighting innumerable wars, the United States until quite recently was relatively free from their destructive influence. This is probably why, as William Henry Chamberlin has so well put it in his *Russian Enigma,* "the American has always known the minimum, the Russian the maximum of state compulsion in his daily life" (p. 7). And if there is much admiration for American ways in the U. S. S. R. today, this is not because of "similarity" and "congenialty" of the two countries, as imagined by Sorokin, but because the Russians see in America something they had never experienced at home.

Sorokin deserves some credit for emphasizing the familiar notion of continuity of the historical process. Every reasonable student of the Soviet experiment has been struck by a certain similarity in the methods and aims of Stalin and those of his predecessors. Unfortunately the author's militant admiration for things Russian leads him to overstatements verging on the grotesque. He claims, for instance, that "with a slight exaggeration one can say that the banishment and imprisonment of political offenders [under the imperial regime] was more in the nature of granting them a vacation, with most of the expenses paid" (p. 134). The present economic structure of the Soviet Union is pictured as being largely similar to that of the United States and, *horribile dictu,* there is hardly any reference to planned economy.

Professor Sorokin is concerned not only with the past and present but also with the future. Of his four indispensable conditions for a lasting peace only one needs to be quoted here: "a transvaluation of the present sensate norms by coalescence with more spiritual principles as end-values" (p. 235). This lucid statement gives the measure of the author's clarity of thought and persuasive elegance of expression.

Michael T. Florinsky

Columbia University

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Canadian-American Relations, 1875-1911. By CHARLES CALLAN TANSILL. New Haven, Yale University Press; Toronto, The Ryerson Press; London, Oxford University Press, for the Carnegie Endowment for International Peace, Division of Economics and History, 1943.—xviii, 507 pp. $3.50.

The latest volume in the Carnegie Series on the Relations of Canada and the United States with its patient detail, voluminous footnotes, and bibliographic references is the type of monograph only possible in our time with the help of such an institution as the Carnegie Endowment for International Peace. The author, as the biographer of Secretary of State Bayard, was already well grounded in the United States sources for much of this period. He has made himself equally at home in exploring Canadian sources with the result that it may be safely asserted that the future scholar who works in this field is unlikely to find much new material and will have to make his contribution by a variation in interpretation or method of approach. Dr. Tansill has applied the topical method in his description of this forty years' period when ships and seals, frontiers and fisheries, tariffs and trade agreements were constant sources of irritation. The path of peace was strewn with the wrecks of unratified treaties, and the relics of abortive joint high commissions. At times the dogs of war seemed to be straining at the leash as when Lord Salisbury, of whom the author has a low opinion, instructed the British ambassador in Washington "to say to Mr. Blaine that if the British Flag was interfered with the United States must be prepared for the consequences." A decade later Theodore Roosevelt, likewise no hero to the author, was ordering additional troops to be sent to southern Alaska after John Hay, fretting with exasperation at Canada's rejection of the contention of the United States, had compared her to "a married flirt, ready to betray John Bull on any occasion, but holding him responsible for all her follies." If the United States was resentful at the terms of the Halifax award of 1877, its neighbor was even more angry at the methods by which the arbitrators determined the Alaska boundary. The failure of the two countries to achieve the reciprocity agreement of 1911 was, in Dr. Tansill's opinion, partly due to the accumulation of anti-Americanism that had been blowing up since 1903. Then the partnership of the two nations in the first World War removed discord as they battled together against a common danger to their way of life. Today, as they fight in a second World War, the author thinks the formula of hemispheric solidarity is too simple a one to describe the essence of the

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Canadian-American connection. "This is", he says, "a thing of the spirit and few living historians can move with assurance in that field."

While Canadian historians would agree with Dr. Tansill that in this period "Canada pointed the way to the British Commonwealth of Nations and Laurier was the herald of this new Imperial order", they would differ with his interpretation of how this was achieved. The author argues that Canada's resentment at the method by which the Alaska boundary was settled, in which the English jurist, Lord Alverstone, played a dubious rôle, had its constructive side in that "It clearly indicated to the British government the necessity of binding the scattered fragments of the empire into a more intimate union." The facts scarcely bear out this thesis. Three years after the award (1906) the permanent under-secretary of the British Foreign Office, as quoted in this volume, remarked loftily to the United States ambassador that "Our Colonials are sometimes pretty hard to manage." In the following year at an Imperial Conference the British government displayed no interest in plans for a more intimate union expounded by delegates from the Antipodes but, on the contrary, supported the Canadian thesis of coöperation without centralization which Sir Wilfrid Laurier had defended for years against such doughty opponents as Joseph Chamberlain. When Ambassador Bryce in Washington aided the Canadian government in securing the consent of the United States to the creation of the International Joint Commission for the settlement of boundary disputes, on which sat only nationals of Canada and the United States, he paved the way for the regional approach to our common problems of which today the Permanent Joint Board on Defence is the most conspicuous symbol.

F. H. SOWARD

UNIVERSITY OF BRITISH COLUMBIA

Estudios sobre la Constitución Nacional Argentina. Homenaje en el 90° anniversario de su sanción, 1853-1.° Mayo-1943. By the Instituto de Investigaciones Jurídico-Políticas. Santa Fe, Argentina, Imprenta de la Universidad Nacional del Litoral, 1943. —639 pp.

This highly useful volume of essays by fourteen of the most distinguished scholars of Argentina is a fitting commemoration of the 90th anniversary of the Constitution of 1853. Although the subjects were obviously selected carefully for their importance—the regu-

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lation of interstate waterways, the general welfare clause, individual rights and guarantees, the police power, the amendment process, the civil code, the separation, division and balance of powers, the privileges of representatives, municipal organization, and the state of siege—it was nevertheless impossible to avoid a minimum of overlapping and duplication. In a work designed to render homage to the national constitution, only Professor Absalón D. Casas (H.) confused his task with the necessity for uncritical praise. His work on the general welfare clause lacks the objectivity found in the other essays. All of the authors follow an accepted technique of research writing in Latin America in including erudite but frequently unnecessarily long introductions, one consuming 22 pages out of 125, and another 50 pages out of 168. The political scientist may also be a little disappointed not to find greater emphasis on the effect of principles or concepts of government and the functioning of governmental units. Too often the methodology includes only theory or a description of the formal organization of governmental machinery. Professor Guillermo Cano (H.), however, leaves little to be desired in this regard. In defending the application of condominium to the administration of interprovincial rivers, he scrutinizes one important facet of the problem of federalism from a constitutional, political, and extremely realistic viewpoint.

A very few minor weaknesses may be noted. Dr. Villafañe neglects to define the constitutional basis for the police power, and omits its relationship to decisions of the Supreme Court (pp. 235-256). Professor Carlos A. Tagle, in defending the doctrine of separation of powers as a guarantee of public liberties, fails to recognize that Montesquieu formulated his conception only after incorrect observation of the English government, where separation of powers was nonexistent (pp. 483-484, 489, 528). On the other hand, Professor Salvador M. Dana Montaño, in discussing the national constitution and political rights, advances a thesis that is perhaps open to serious challenge. His contention is that democracy in Argentina will be realized more quickly and in an ultimately more perfect form if the electoral laws are revised to restrict the suffrage to those who are "capable" of exercising it (pp. 159-179). The author vigorously asserts that faith in the realization of democracy through universal suffrage is a "popular superstition" (pp. 162-163). In support of his plea to revise the electoral laws, he points to the fact that, previous to the adoption of the Constitution of 1853, the vote was nowhere given to all the citizens in Argentina (p. 211), but this is a neutral

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fact and not a defense of his thesis. Professor Dana Montaño suggests that the citizen to prove his fitness to vote should not only fulfill literacy and property qualifications (pp. 226-227), but should also prove his "civic quality", an undefined attribute (p. 217). In his argument, the author loses sight of two things: one, that the masses have been disfranchised through fraud or military violence during most of the history of Argentina and thus have been denied a fair opportunity to demonstrate their capacity or incapacity; and second, that during the period from 1916 to 1930, when uncontrolled elections were allowed, the citizen performed his duties as a voter in a creditable manner.

This volume, in the main themes, is a splendid addition to the excellent treatises published by scholars of Argentina on the constitution of that country.

WILLIAM S. STOKES

NORTHWESTERN UNIVERSITY.

War and Postwar Adjustment Policies: Text of Official Report and Related Documents. By BERNARD M. BARUCH and JOHN M. HANCOCK. Washington, American Council on Public Affairs, 1944.—131 pp. $2.50 cloth; $2.00 paper.

This report was prepared at the request of President Roosevelt by Messrs. Baruch and Hancock. It represents therefore the combined judgment of two gentlemen whose opinions are generally highly regarded by the President, and fortunately also by Congress and by the business community. It cannot, however, be taken as a blueprint of what the government's policies will be, since some of its recommendations are tentative, several require Congressional authorization, and many will work out in significantly different fashions according to the temperament of the persons chosen to administer them.

The post-war topics considered are demobilization of personnel, termination of contracts, disposal of surplus property, control of administration machinery, small business, taxation, and public works, with some recommendations for action during the war in connection with the executive's war powers, the handling of cancellations, and advance planning for action on the day of Germany's collapse.

No friend of free enterprise could quarrel with the spirit of this report. Since the report of Senator George's Special Committee on Postwar Economic Policy and Planning is also based on the principles of free enterprise, a study of their points of resemblance and difference may be enlightening.

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Naturally the George report emphasizes the necessity of Congressional authority for the establishment of executive agencies and Congressional declaration of the policies to be followed and Congressional supervision of their execution. Mr. Baruch recognizes the desirability of a Congressional statement of policies, and possibly of a Congressionally authorized agency at a later date, but recommends immediate action by executive order. Specifically he wishes to establish in the Office of War Mobilization a "Work Director" to handle the demobilization of personnel and a "Surplus Property Administrator" and a "Surplus Property Policy Board" to handle problems of material. Senator George would establish right away an Office of Demobilization, with a Director appointed by the President and confirmed by the Senate, and a Board, acting under close supervision by a joint committee of the Senate and House, but subordinate to the Office of War Mobilization as long as the war continues. This new Office would, however, operate mainly through existing agencies.

The two reports are in agreement that payments in connection with terminated contracts should be made with the utmost haste, subject to later review by the Comptroller General only for the purpose of detecting and punishing fraud. They both recommend immediate payment of 100 per cent of the contractor's claims for finished articles and for direct costs of materials and partly processed goods, and up to 90 per cent of estimated other costs. Interest should be paid on unsettled claims, and direct loans made to contractors, or bank loans guaranteed for them. Government property should be removed from plants where it interferes with production of civilian goods within thirty days of cancellation (George) or within sixty days of the filing of inventory lists (Baruch).

As for government plants, both reports recommend selling or, if necessary, leasing, but avoiding undue disruption of normal trade or industry, and avoiding also the creation or strengthening of monopolies. The Baruch report is a little more explicit in its repudiation of government operation or subsidies; and the George report is more explicit in its recognition of the danger of disrupting certain basic industries in which government-owned plants now produce a large part of the output, and in fact proposes that such plants not be sold until authorized by Congress. Both oppose scrapping or destruction of useful property, although the George report seems to admit more exceptions.

There is also great similarity between their recommendations con-

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cerning the disposal of movable equipment and finished goods. Each suggests the possibility of selling abroad. Each recommends using the established channels of trade, and refusing sales to speculators, and making sales in quantities small enough to enable small business to participate. Mr. Baruch has more to say about the desirability of speed as a weapon against inflation; he also recommends that the proceeds of all sales be applied directly to the national debt.

Both reports are concerned with the preservation of opportunities for small business concerns, and suggest means to meet their financial requirements. In the opinion of the present reviewer, the Baruch report goes too far in suggesting that the Federal Reserve System be authorized as a permanent proposition to guarantee bank loans or to make direct loans "on a basis of broader risks than banks can be expected to assume." There seems to be some inconsistency between this proposal and the later statement in the report: "Let us not provide credit to the returning soldier or small businessman which will only chain him like a galley slave to a loan he can never repay."

Messrs. Baruch and Hancock carefully avoid any implication that government debts or deficits are national benefits or that the wealth of the nation can be increased by destroying its assets. They warn against the influence of pressure groups—class, industrial, or geographical—and point out the limitations of public works. Above all they stress the necessity of good administration. To these and to most of their other conclusions and recommendations this reviewer gratefully assents, and mildly hopes that the appropriate governmental authorities will speedily take the steps necessary to put them into effect.

RUFUS S. TUCKER

NEW YORK CITY.

Food Enough. By JOHN D. BLACK. Lancaster, The Jacques Cattell Press, 1943.—ix, 269 pp. $2.50.

This book by one of America's foremost agricultural economists is a most important analysis of the whole tangled problem of feeding the nation in wartime. It is based not only on data available to the author through his several consultantships on federal food agencies but also on wide travel during 1943 and letters from hundreds of farmers and county agricultural agents in all parts of the country.

It is amazingly objective at least in comparison with most of the material in the press on the subject of food supply and distribution.

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The author is careful to indicate when he is expressing judgment in contrast to the interpretation of data.

There emerges quite a different picture of the over-all situation than the ordinary citizen would put together on the basis of his reading plus his experience in getting the food he wants. Among the important conclusions are these:

1. There is and will be food enough barring great natural calamities such as a drought of the proportions of 1934.

2. We could raise food enough to support on an adequate nutritional basis twice the population we are now feeding at home and abroad but we will not. So to do would require drastic changes in both dietary habits and farm management to which the American public would not willingly submit. For instance, getting food from animal products is the most extravagant way to utilize our acres and their products.

3. The few, feeble steps taken in this direction have been strenuously resisted by groups concerned, and by civil servants dealing with the products affected. This has interfered with planning.

4. Some of our present shortages result from the dramatic fact that for the first time in the modern era a very large proportion of the population has enough money to purchase an adequate diet. Those responsible for over-all planning did not foresee this phenomenon in its full scope.

5. Congress has been far short of helpful. For instance, with respect to farm labor which has been tight in many areas, the farm labor legislation forbids the Department of Agriculture to transport surplus farm labor even from one county to another save under nearly impossible conditions. This was to protect the low wages paid in the cotton South where there are at least half a million underemployed farmers and farm hands engaged in producing our least needed crop. Again, Congress never even passed the appropriation enabling the Department of Agriculture to attack the farm labor program until April 29, 1943! Finally, while voting down parity payments for 1944, Congress ordered that not one cent of the $300,000,000 of other payments provided for could be used directly to induce production of needed foods, i. e., in place of less needed crops usually grown.

6. Mistakes were inevitably made in the allocation of materials for fertilizer and especially farm machinery. There has been some correction of this for 1944, particularly with respect to machinery.

7. The farmers have done a superb job. Aided, of course, by unusually good weather, which cannot be expected to continue indefi-

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nitely, the farmers have raised more food than ever before each successive crop year since the war broke out in Europe.

8. The food distribution agencies, with all allowance for their difficulties, have not done nearly as well.

This summary leaves out of account much of value, including the best analysis the reviewer has seen of the Hot Springs food conference of August 1943. The book is timely but not timeless. A few chapters are already more of historical interest than of practical current value. Sometimes the reader is not certain which year the author means but this is the only lack of clarity. The reviewer would dissent at a very few points from criticism of work done by the Department of Agriculture. Not enough is made of the disturbing factor that many W.P.B. and O.P.A. officials dealing with matters of agricultural concern were wholly ignorant of the problems of food production.

The book is the most up to the minute, most objective analysis of the subject. Its conclusions indicate desirable policies for meeting serious problems of the national and world food situations.

EDMUND DES. BRUNNER

Governmental Adjustment of Labor Disputes. By HOWARD S. KALTENBORN. Chicago, The Foundation Press, Inc., 1943.—xiv, 327 pp. $3.50.

This is one of the few studies to be made of governmental agencies designed to adjust labor disputes by mediation, arbitration, or compulsory investigation. It describes the functions of the United States Conciliation Service, the railway labor boards, the War Labor Board and its predecessor, the Defense Mediation Board, the now defunct Maritime Labor Board, and the mediation agencies of several states and municipalities. A final chapter is devoted to problems of mediation and to some general recommendations, and a valuable appendix lists abstracts from state laws dealing with that subject. The National Labor Relations Board is not included within the scope of the work.

Dr. Kaltenborn's description of the workings and functions of the various agencies, particularly the War Labor Board and the Conciliation Service, is good. He has also made some pertinent observations on a number of important problems, e.g., the ineptness of the so-called "cooling-off" period, the necessity for separating mediation and arbitration functions, and the dangers inherent in overlapping jurisdictions of mediation agencies.

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A fundamental criticism concerns the criterion used to evaluate the various mediation agencies. Dr. Kaltenborn is somewhat disturbed by the conflicting functions assigned the National (Railway) Mediation Board and by the denial of due process to interested parties by the National Railroad Adjustment Board. Yet he concludes that the Railway Labor Act "is in general well-conceived and effectively administered" (p. 72). This is the orthodox view supported by many students of industrial relations. Yet neither Dr. Kaltenborn nor anyone else, to my knowledge, has ever made a careful study of the decisions of the Mediation Board or of the awards of the Adjustment Board. Like so many others, he bases his conclusion solely upon the fact that industrial peace has prevailed in the railway industry and that the Railway Labor Act and its administrators must be presumed to be largely responsible.

That the elimination of strikes is very desirable, and in wartime absolutely necessary, is not debatable. But that a governmental labor agency should be evaluated solely on the basis of the number of strikes which occur in its jurisdiction is at least questionable. The cost of labor peace may be greater than its worth. There were few, if any, strikes in the moving picture industry during the rule of the notorious Browne and Bioff. Peace reigned in the southern coal industry during most of the 1920's, thanks to unrestricted managerial despotism, and now it has apparently been purchased once more by yielding to the strike pressure of Mr. Lewis.

Even in the railway industry, sore spots are found below the peaceful surface. One may wonder if the absence of overt strife is compensation enough for the manner in which the bipartisan Railroad Adjustment Board denies interested parties either notice or a hearing and then issues awards, some of which Professor Slichter has termed "among the strangest in the annals of industrial relations" and from which only the winning party has the right of court appeal; or whether such peace is worth while if it is secured because both the Adjustment Board and the (Railway) Mediation Board aided and abetted racial discrimination, as they have in several instances. These are some of the costs of industrial peace which Dr. Kaltenborn failed to consider in reaching his conclusions.

The book has other defects. For example, it is marred by unsupported statements such as: "Although the statistics suggest the contrary, the author is convinced that the Massachusetts Board is actually not as effective at mediation as the New York State Board of Mediation" (p. 192), and such contradictory assertions as on pages 65-66, where he concludes that strong unions have contributed to industrial

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peace on the railroads, only to point out, on pages 227-228, that increased union strength does not necessarily lead to a decline in industrial strife. And he advocates the substitution of a three-man mediation agency modeled on the (Railway) Mediation Board for the United States Conciliation Service. Yet he does not advance convincing reasons why either the former is especially sound or why the latter should be disestablished.

HERBERT R. NORTHRUP

DETROIT, MICHIGAN

Henry Ponsonby, Queen Victoria's Private Secretary: His Life from His Letters. By ARTHUR PONSONBY (Lord Ponsonby of Shulbrede). New York, The Macmillan Co., 1943.—xvi, 425 pp. $3.75.

The importance of the office of private secretary to the British sovereign has been recognized by recent writers on the British constitutional system, though no study of the office as an institution has been made. If it should be undertaken, Lord Ponsonby's biography of his father, Sir Henry Ponsonby, who was Queen Victoria's private secretary from 1870 till his death in 1895, would probably prove to be the most valuable source of information that has as yet been published. It is based mainly on Sir Henry's letters and papers, from which generous extracts are quoted, especially on his letters to his wife, which she carefully preserved.

It is evident that Henry Ponsonby was a modest man, devoid of personal vanity, who shunned publicity and was, as his son says, constitutionally incapable of blowing his own trumpet. Though his position threw him into close association with the Queen and the royal household for a quarter of a century, he was very far from being the typical courtier. He never seems to have been overawed by royalty. "The Prince of Wales dined and I had a hot and noisy but not angry discussion with him about the Emperor whom he rather pities", Ponsonby wrote to his mother a few days after the surrender of Napoleon III at Sedan. "I see nothing to pity . . . I can't conceive who can say a word for him. He has shown himself to be an impostor and a coward." Ponsonby often differed from the Queen in matters of opinion, most notably perhaps over the Eastern Question during the late 1870's. "While the Queen", says Lord Ponsonby, "was never tired of inveighing against the speeches and attitude of the Opposition and expressing her detestation of Russia, Henry Ponsonby could not conceal that he favoured Gladstone's policy." The Queen was fully

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aware that her private secretary did not always see eye to eye with her, and it is greatly to her credit that she did not replace him with a yes-man. It is evident, too, that Ponsonby possessed a saving sense of humor—not a courtierlike trait—though he may not have given it free rein in his conversations and communications with the Queen. "Do we officially believe in Purgatory?" he asked in a letter to Randall Davidson, who was at the time Dean of Windsor. "Canon Luckock of Ely wrote a book about the future state. He apparently knows all about it."

No queen is a heroine to her private secretary, and Ponsonby was under no illusions as to Victoria's limitations and shortcomings. He was successful in his relations with her largely because he took them into account and never made the mistake of attacking her opinions directly when he believed them to be wrong. "When she insists that 2 and 2 make 5," he wrote to Lady Ponsonby, "I say that I cannot help thinking they make 4. She replies there may be some truth in what I say, but she knows they make 5. Thereupon I drop the discussion. . . . But X— goes on with it, brings proofs, arguments and former sayings of her own. No one likes this. No one can stand admitting they are wrong, women especially; and the Queen can't abide it."

Ponsonby was wholly loyal to the monarchy and possessed a deep sense of constitutional propriety. He deplored the anti-monarchical sentiment which was prevalent in certain quarters about the time he became private secretary, and which he attributed to the Queen's over-indulgence in the luxury of woe; and he did his best to induce her to abate the rigors of her unpopular widowed seclusion. He never used his influence to prejudice her against her ministers even when he thought they were in the wrong. Speaking of the Royal Titles Bill of 1876 he wrote: "I feel convinced that Dizzy has so mismanaged it, first by keeping it purposely or accidently a secret from the opposition and then by making it a series of mysteries, that the excitement is due to him. But I cannot attack him to her. I am bound to support him and further must continually advise her to follow his advice."

Ponsonby's office gave him unique opportunities for appraising the position of the sovereign in the constitutional system, and he came a good deal nearer the mark than some other observers—than Bagehot, for example, with his famous "three rights" of the monarch: the right to be consulted, the right to encourage, and the right to warn. In a letter to Gladstone, written in 1875, Ponsonby said:

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> I have heard that the Prince [Consort] often struggled to enlarge her power while equally jealous of his demands. I can understand his feelings for in my small way I feel it my duty to point out everything that tends to weaken the Royal power.... I am appalled at the tremendous results whenever she does move.... In some ways the dormant power is so great that it might almost be dreaded if we had a bad and clever King and a weak Minister. This is most unlikely but I only allude to it to support my argument that the latent power exists and though it is dormant indeed is the force which gives to the royal influence the strength it possesses.

Ponsonby's complete integrity in the discharge of his official duties is sufficiently attested by the opinions of the Queen's two greatest prime ministers. "I believe", Disraeli remarked to a friend, "that General Ponsonby used to be a Whig, but, whatever his politics may once have been, I can only say that I could not wish my case better stated to the Queen than the Private Secretary does it." And Gladstone's private secretary wrote to Ponsonby, "You have secured a very high place in Mr. Gladstone's estimation; and I often have the pleasure of hearing him sing your praises."

ROBERT LIVINGSTON SCHUYLER

Clemenceau. By GEOFFREY BRUUN. Cambridge, Harvard University Press, 1943.—x, 225 pp. $3.00.

It is difficult to believe either that Geoffrey Bruun did or that he did not realize the effect he was creating when, between lines of stock tribute to the *Père la Victoire,* he insinuated those defeatist phrases from *le Bonnet Rouge* and *le Pays* which helped put Caillaux in prison and gave France a preview of what could be expected of Pierre Laval.

Considered without reference to this implied "interpretation", Mr. Bruun's *Clemenceau* could be dismissed as quite inadequate. It is too small a volume for the job attempted, and its lack of size only serves to emphasize its lack of content. Ultimately the errors of omission are the more important, but those of commission are easier to cite. The *vigneron* troubles of 1907, for example, are blamed on Phylloxera. In 1917 Clemenceau, as *président du conseil,* "was *elected* to make war. . . ." Henri Pétain, in 1918, was "still inclined to theories of the attack. . . ." And in June 1919, at Versailles, "the representatives of the Third Reich acknowledged the guilt, the penalties decreed, and the probationary status of their country."

While thus advertising his lack of interest in the stuff of French history, Mr. Bruun offers the revealing explanation (p. 46) that "be-

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cause the Third French Republic weathered the tempest of the 1880's, it is difficult in the aftermath to conceive how real the perils were. The fate of the Weimar Republic in its fifteenth year, when disgust at an ignominious foreign policy and economic distress at home lifted Hitler to power, throws a retrospective light on the arena of French politics in 1885." With the same oblique tactics of infiltration, he concludes his chapter on the pre-war years with the observation (p. 117) that "on the day on which Jaurès died, Zaharoff, who like him [Clemenceau] was not daunted by the brutal realities of fact, was raised to the rank of Commander in the Legion of Honor 'for exceptional services to the Republic'." He never quite states that Jaurès could have prevented the mobilization in 1914, that Clemenceau and Poincaré were in the pay of the *marchands de guerre,* that Caillaux could have made a more advantageous or durable peace in 1917, or that Briand could have done so in 1919. These half-implied contentions, if they had been honestly stated and if they could be clearly sustained, would be of the utmost historical importance. By allowing them to seep through his porous pages, the author has been irresponsible, at least.

The baffling effect of this double-talk can only be suggested by two nearly consecutive sentences from Mr. Bruun's final summary (p. 198) of Clemenceau's work at Versailles. "He expected to find, and perhaps for that reason he did find, national rivalries deadlocked about the peace table: . . ." And "because he refused to acknowledge the possibility of creating a new and better world order, Clemenceau has been denounced as the evil genius who betrayed the great crusade."

Why one of the best of our younger historians should treat such a subject in such a manner at just this time is hard to understand. Perhaps as an accomplished devotee of paradox, Mr. Bruun was not insensible to the charm of maintaining his historical *sang-froid* when the whole world was aflame. But to offer as "a dispassionate estimate" quarter-century-old propaganda of notorious origin lacks elegance and hardly entitles him to a place above the battle. And it is time that all historians recognized that the last drop of news has long since been wrung from the once heady proposition that "Belgian baby eats German officer."

EDWARD WHITING FOX

HARVARD UNIVERSITY

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BOOK NOTES

W. Friedmann's *The Crisis of the National State* (London, Macmillan and Company Ltd., 1943, New York, The Macmillan Co., 1944; ix, 197 pp. 12*s.* 6*d*; $3.75) is a valuable essay on a subject that is being more and more discussed by contemporary students of politics. On the one hand, we see nationalist passions growing more intense; on the other hand, it is increasingly obvious that as a political unit the national state is inadequate to solve the problems set by economic and military developments. Mr. Friedmann attacks this question first by a review of the forces that have created the national state. He then shows how new forces and new factors have produced what he calls "the decline of the national state". Self-determination has proved to be an impossible ideal. The tendency toward imperialist expansion clashes with nationalism. The workers, in spite of their willingness to vote war credits in 1914, and their heroic opposition to collaboration with Hitler, have been developing an internationalism of outlook that may have great consequences in the future. The middle classes, too, have revealed signs of defection from the nationalist ideal. Such tendencies, in Mr. Friedmann's analysis, show a bankruptcy of the national state. What we see at the present time is a competition between various international ideologies (seven of which the author identifies) to shape the political forms of the future. Such is the direction of Mr. Friedmann's argument. His book is too brief to be more than an outline or syllabus of so vast a theme, the argument is not always in perfect focus, and the style is dull. But there is a good deal of penetrating comment and the essay is definitely worth reading.—T. P. PEARDON, Barnard College.

Federalism and the Problem of the Small State (London, George Allen & Unwin Ltd., New York, W. W. Norton & Co., Inc., Distributors, 1943; 125 pp. $1.75) by Sir J. A. R. Marriott is a compact and useful little manual on the idea of federalism as a possible preventative of war, with the corollary that small states under modern conditions can hardly hope to survive except within a framework of ordered and guaranteed peace. Though no new facts are presented,

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and no new arguments brought forward, it is convenient to have under one cover so many historical data bearing on the problem. The genesis of modern nationalism is briefly traced from the fall of Rome to the second World War, and a short summary given of projects for peace from those of Sully and Penn to those of Clarence Streit and George Young. There is also a study of the practical procedures which have actually been tested by time (such as the Holy Alliance, the League of Nations, the Court of International Justice) and of such local federations as the American, Canadian and Australian. Curiously enough, Ely Culbertson's much advertised plan is nowhere mentioned; and Streit's Federal Union is called "the annexation of the British Dominions to the United States" (p. 102), which ought to make the book compulsory reading for those American isolationists who think that, on the contrary, it means the re-annexation of the United States to the British Crown! The author says frankly that his purpose is diagnosis rather than prescription. We must, therefore, find no fault with the omission of any plan of his own, after the weakness of other plans has been pointed out; his business is to throw the testing stones, not to erect more glass houses for the stones of others. Indeed, he makes no recommendation except that of a cautious, experimental approach to the whole problem. He wants a world federation, but one which will gradually evolve after the manner of the British constitution, rather than one which was made to order like the League of Nations Covenant. Whether the increasing destructiveness of modern warfare will give the world time enough for such a gradual organic evolution, however, is a point which may well merit consideration. The discussion of the problems of war and peace is eminently balanced and fair, though cautious and conservative. Some surprise may be felt, however, at the regret expressed by the author over the termination of the Anglo-Japanese alliance (p. 63).—PRESTON SLOSSON, University of Michigan.

Except for the material on the U.S.S.R., what Lewis L. Lorwin presents, in *Postwar Plans of the United Nations* (New York, The Twentieth Century Fund, 1943; xii, 307 pp. $2.50), is a compilation not so much of the post-war plans which have been adopted by the thirty-two United Nations as of the competing plans which have been put forward within each nation by various governmental agencies and socio-economic groups. He analyzes the proposals on post-war economic policy which have been enunciated by government boards and commissions, by associations of manufacturers, farmers, organized labor and political parties. A non-American reader notes with

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interest that while there is a good deal about political parties in other countries there is no sign that the Democratic and Republican parties of the United States have any ideas about post-war economic policy. The material presented here is almost entirely factual and descriptive; and the chief criticism to be made of the book is that no attempt is made by the author to estimate the relative importance of the competing groups whose plans are analyzed and so to give some guidance as to which plans are most likely to be put into operation. Also he takes every plan at its face value. Canadian planning receives twenty-two pages as against twenty for the U.S.S.R., though anyone in Canada could bear witness that this is due not to the fact that planning in Canada is in a more advanced stage than in the U.S.S.R., but to the fact that a general election is due sometime soon in Canada and that the government has been getting busy with what it calculates will be attractive election propaganda. On the whole what emerges from these pages is that all capitalist countries are pretty certain to have a good deal of governmental intervention in the working of their economic and social systems after the war, and that any attempt to classify them more precisely than this is hardly as yet justified.—FRANK H. UNDERHILL, University of Toronto.

Economics of Military Occupation: Selected Problems (Chicago, The Foundation Press, 1944; xii, 141 pp. $1.25), by Henry S. Bloch and Bert F. Hoselitz, is a short study dealing with some of the economic and financial problems incident to belligerent occupation, a subject which is fortunately little known to economists in the United States. The work is certainly timely, perhaps too timely to meet our full demands or to be useful except for a relatively short time. The process of military government moves very swiftly, and it will have to run its course to a fuller extent before we can record satisfactorily either its problems or its techniques for dealing with them. Obviously, an adequate appraisal of all this will be impossible for some time. As an interim effort, meant for use in classroom instruction, the present volume is well done and most welcome. It states many of the problems and gives some indication of how these have been met in previous operations. There is some discussion of Allied Military Government in Sicily and of the interesting Allied Military Financial Agency. But this experiment was only just under way when the book was in press.—R. J. SAULNIER, Barnard College.

Ten Years of Controlled Trade in South-Eastern Europe, by N. Momtchiloff (Cambridge, at the University Press, New York, The

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Macmillan Co., 1944; 90 pp. $1.75), is the sixth in the series of Occasional Papers published by the National Institute of Economic and Social Research in London. The term "South-Eastern Europe", as employed by the author, comprises Hungary, Romania, Yugoslavia, Greece, Bulgaria and Turkey. Despite divergencies in detail, all of these six countries depend for the bulk of their foreign trade on exports of agricultural products, and all of them have attempted to secure their foreign markets by government action during the critical thirties. Mr. Momtchiloff's purpose in this book is to investigate whether, instead of being discarded, some of the methods and instruments of control could not be put to good use during the period of transition, even though he hopes for a gradual relaxation and eventual abolishment of controls. After a competent and lucid presentation of the background and effects of exchange controls, clearings and price fixing, the author submits a transition scheme which has many points of contact with the recent Anglo-American proposals for international monetary stabilization. At the time of writing, these plans had not yet been published, and Mr. Momtchiloff's scheme is strictly confined to South-Eastern Europe, but his general idea is quite in line with the Keynes and White plans. He suggests that there be a transformation of the national agencies for control of trade and exchange into a Regional Office through which all payments for goods and services imported into member countries would go. Balances would be cleared periodically by transfer of a free currency, and overdraft facilities for members temporarily short of free currency would be arranged. It is true that the author thinks of such an agency within the general framework of close commercial coördination of the region in its transactions with the outside world, and it is here that a big question arises. Will the nations concerned be willing to enter into relations of genuine coöperation, even if the Great Powers should take a hand in encouraging it, as Mr. Momtchiloff appears to assume? What adjustments in foreign trade and in general economic structure of these nations will be necessary in a longer run? And above all, what changes in the productive capacity and commercial set-up of the five German-controlled countries in that region will the Allied armies find when they occupy them? Although neither Mr. Momtchiloff nor anyone else can give a complete answer to these questions today, this study is a serious and constructive contribution to the discussion about the future of South-Eastern Europe.—ALBERT LAUTERBACH, Sarah Lawrence College.

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One of the publishing "events" to which the writer invariably looks forward, year after year, is the appearance of Walter H. Mallory's *Political Handbook of the World* (New York, Harper and Brothers for the Council on Foreign Relations, Inc., 1944; 201 pp. $2.75). Like its sixteen predecessors, this year's handbook contains in concise and clear form essential information on the rulers, cabinets, parliaments, political leaders, party platforms, and press affiliations of all the world's sovereign states. In each case the facts are given as of January 1, 1944. The collecting of the material this year must have been accompanied by harrowing trials and tribulations of all the world's sovereign states. In each case the facts are not only to every country from Monaco to the United States, but to the various governments-in-exile, the political set-up in such overseas areas as the Netherlands West Indies, the League of Nations, the International Labor Organization, and the Permanent Court of International Justice. As previously, space is devoted to the text of the chief constitutional decrees of the Vichy government. There is an excellent summary of the status and work of the French Committee of National Liberation under General de Gaulle. The section on Germany contains a handy chronological list of German aggressions since 1938. It is difficult to see how any historian, journalist, commentator, or person really interested in understanding the day's news can be happy without a copy of the latest *Handbook*.—WALTER CONSUELO LANGSAM, Union College.

Political scientists, as well as sociologists and social workers, can profit from *Street Corner Society: The Social Structure of an Italian Slum* (Chicago, The University of Chicago Press, 1943; xxii, 284 pp. $3.00) by William Foote Whyte, a former Junior Fellow at Harvard, who for three and a half years lived in the Italian-American slum of "Eastern City". This district is not disorganized, as middle-class people believe, but its residents have little access to the channels of mobility leading to "respectable" positions in the surrounding middle-class community. Whyte's book shows that the more "respectable" channels—the local settlement house, college, Republican politics—tend to be entered by the relatively few misfits in the social structure of the slum; the more normal and accessible channels are Democratic politics and organizations of racketeers. As an interviewer, Whyte had not only the method of Elton Mayo but the advantage of an established position in the social structure of the slum itself and therefore the check of a trusted participant-obser-

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ver. Well over half the pages of his book contain quotations long enough to be set in small type. The abundant first-hand data are presented, however, not as information but as evidence in support of generalization about the structure, functioning and interrelations of groups within the slum and about the relations of these groups with and to the community outside the slum. Deviant behavior and even neurotic symptoms are explained in terms of position in groups, group-expectations, and conflicts of loyalty to different groups. Historical material is included, not for its own sake but for perspective on the social structure as it was at the time of the study. Of special interest is the constant focusing upon the relations of cliques within larger formal or informal groups. The structure of informal groups was discovered through a detailed study of the origination of group action and a study of the paths, amount and types of interaction among members. Speaking more concretely: the author analyzes a gang of corner boys, a college-boys' club, a political club, and a campaign organization, in each of which he was a member. In addition, he analyzes the policy racket and shows how the racketeers are related to the corner gangs and to politicians. The patterns of competition, conflict, or coöperation between legitimate and illegitimate business, between the police and the racketeers, and between Italian and Irish politicians—all are clearly traced until there has emerged a total picture of a community in equilibrium. Lincoln Steffens' somewhat top-heavy picture of boss-rule is here made more realistic by consideration of the lowest positions in a machine as well as the highest; and Steffens' classification of "principals" and "heelers" is seen to be somewhat too simple, there being an elaborate hierarchy that depends as much upon a network of mutual obligations as upon relative independence of judgment. It may be regretted that this otherwise excellent study only touches upon the rôle of the Catholic Church in "Cornerville".—HARRY M. JOHNSON, Simmons College.

The university press which publishes *Restoration Puritanism: A Study of the Growth of English Liberty,* by Harry Grant Plum (Chapel Hill, The University of North Carolina Press, 1943; vii, 129 pp. $2.50), does not hesitate to assure the prospective buyer that the author has linked Puritanism "with the development of English common law, given its place in the Renaissance world," and finally shown it, "when divorced from the revolutionary movement which gave it birth. . . to be one of the foundations of individual

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liberty in present-day England." These statements are exaggerations one does not as a rule expect from such a source. The book, far from being "a study of the growth of English liberty", is a monograph of 101 pages, to which is appended a not very extensive bibliography, on the controversy over non-conformity in England from 1660 to 1715. It includes a brief introductory chapter, hardly adequate to its purpose, on the entire Puritan movement prior to the Restoration. Even within these narrow limits, the writer does not always avoid wordiness. "There is needed," he says, "now that so many splendid specialized studies have been made of the period and the thought of the time, a new and more general survey that will relate all the characteristic movements of the century and bring this Puritan idea into harmony with them all." Just how this remarkable feat is to be accomplished Mr. Plum does not indicate, nor does he himself attempt it. What he does is to supply an account, containing little new in the way of evidence or interpretation, of the partisan struggles concerning religion and the church in the later Stuart period. His conclusion appears to be that, though the Anglicans retained firm control of the church, the non-conformists did not diminish in numbers or importance and that the religious spirit even within the English church was more and more deeply affected by the spirit of non-conformity.—WILLIAM HALLER, Columbia University.

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